Patent Case Management Judicial Guide

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Chapter 2
Early Case Management

Without close management, patent cases can consume a vastly disproportionate amount of court and staff time. High stakes often result in extensive, contentious motion practice. Keys to success lie in the early establishment of a case schedule and procedures for streamlining resolution of common issues, as well as creative approaches to settlement. Discovery requires special attention; it is treated separately in Chapter 4. However, discovery challenges (anticipating and avoiding them) are connected with many of the pretrial issues confronted by district courts.

This chapter examines pretrial case management. We begin with a review of typical timelines and specialized local rules from jurisdictions that have found them useful in handling a large number of patent cases. For courts outside these districts, these approaches will be helpful in understanding the management choices available.

We then describe specific issues connected to pleadings, including jurisdiction and venue, standing, declaratory judgment, special patent defenses (such as inequitable conduct and assignor estoppel), and common associated claims such as antitrust violations. The initial case-management conference (CMC) will be addressed, with particular attention to scheduling choices and their consequences. We consider the multipatent "mega case," processes for identifying (and narrowing) infringement and invalidity contentions, and whether and how to schedule a *Markman* hearing to determine what the patent claims mean. We revisit the latter issues in detail in Chapter 5.

We cover some of the common early motions, such as a motion for stay pending review of the patent by the Patent Trial and Appeal Board (PTAB) at the U.S. Patent and Trademark Office (USPTO), motions to dismiss for subject-matter ineligibility (§ 101), and motions directed at managing the issue of willful infringement, which is frequently asserted and is a predicate for an award of enhanced damages and attorneys' fees. We also discuss the critical process of encouraging resolution through mediation.

2.1 Patent Litigation Timelines and Specialized Local Rules

A patent case is, in many senses, like any other case. The plaintiff files a complaint alleging infringement. The defendant answers, alleging noninfringement and asserting various defenses, and potentially makes counterclaims of its own. The parties proceed to fact and expert discovery, motion practice, pretrial briefing, and trial. As in any litigation, the time necessary for each pretrial phase varies with the complexity and potential consequences of the issues presented.

However, there are certain unique aspects of patent litigation, the management of which will significantly affect the pretrial timeline. Key among these are the complexity of the legal issues, the complexity and difficulty of the technology at issue, and the large volume of highly sensitive technical documents, source code, and other information exchanged during discovery. Courts have implemented various mechanisms to help manage these and other issues efficiently and effectively, including the specialized case assignment rules in Patent Pilot Program districts, nearly universal use of protective orders, and patent local rules designed to facilitate discovery and frame claim construction.

2.1.1 Case Assignment—Patent Pilot Program

Concern over the challenges in handling patent cases led Congress to pass legislation in 2011 establishing the Patent Pilot Program. *See* Pub. L. 111-349 124 Stat. 3674, 28 U.S.C. § 137 (2011). The legislation established a ten-year project designed to enhance specialization and expertise in adjudicating patent cases and reduce the cost of patent litigation. Under the legislation, the Administrative Office of the United States Courts (AOUSC) designated fourteen district courts to participate. To be eligible, a district had to be among the fifteen district courts in which the largest number of patent and plant-variety protection cases were filed in 2010, or be district courts that adopted or certified to the director of the AOUSC the intention to adopt local rules for patent and plant-variety protection cases. From among the eligible courts that volunteered for the pilot program, the director was required by statute to select three district courts with at least ten authorized district judgeships in which at least three judges have made a request to hear patent cases, and three district courts with fewer than ten authorized district judgeships in which at least two judges have made a request to hear patent cases.

Under the legislation, patent cases filed in Patent Pilot Program districts are initially randomly assigned to all district judges, regardless of whether they have been designated to hear such cases. A judge who is randomly assigned a patent case but is not among the designated judges may decline to accept the case. That case is then randomly assigned to one of the district judges designated to hear patent cases. The Judicial Conference Committee on Court Administration and Case Management helps to implement the pilot program. The committee encourages the pilot courts in the project to use their case assignment system to ensure fairness in the distribution of the court's workload and to provide for the assignments of additional civil cases to

those judges who decline patent cases. Appendix 2.2 lists the districts participating in the Patent Pilot Program and the judges opting into the specialized pool.

In most districts, nondesignated judges have thirty days to reassign the case. The Western District of Pennsylvania and the Northern District of Texas give judges only seven days to decide whether to keep the case. *See* W.D. Penn. Misc. Order No. 11-283, ¶ 3; N.D. Tex. Special Order No. 3-287. The Southern District of California gives judges twenty-eight days to decide whether to keep the case. *See* S.D. Cal. General Order No. 598, ¶ 3. In the Northern District of California, judges must make a declination *before* the patent case would have been assigned. If the nondesignated judge declines the case, it is then randomly assigned to one of the designated patent judges.

The Northern District of California has adopted a general order to augment the assignment procedure for patent cases. In the Northern District, nonpatent judges are allowed to decline no more than three patent cases in any given year. *See* General Order No. 67, ¶ B(3). The Northern District has also taken the "position that the patent pilot statute does not supersede statutes that allow Magistrate Judges to handle any case pursuant to consent by the parties." *See Patent Pilot Program Becomes Active January 1, 2012, available at* http://www.cand.uscourts.gov/news/63. Accordingly, the Northern District has designated magistrate judges who have an interest in patent cases. The Eastern District of New York has taken a similar position and also designated magistrate judges for the program. *See EDNY Implements Patent Pilot Program, available at* https://img.nyed.uscourts.gov/files/local_rules/PatentPilotProject-NYEDPressRelease.pdf.

The enabling legislation requires the FJC to study the extent to which the pilot program develops judicial expertise and efficiency in handling patent cases, the speed with which patent cases are resolved, reversal rates, and forum shopping. The pilot program also provides judges in non-pilot-program districts with readily identifiable resources (in the form of local rules, standing orders, and pilot-program judges themselves) and with substantial expertise on which to draw for guidance in managing patent cases.

Since its inception in 2011, only about one-third of patent cases originally assigned to nonpatent judges in district courts were reassigned to judges participating in the program. Thus, many judges within Patent Pilot districts that are not assigned to the program choose to retain their patent cases, but the patterns vary across districts. Owing to the relatively low referral rate, the Southern District of Florida discontinued its participation in the Patent Pilot Program in 2014.

2.1.2 Protective Orders

Patent litigation frequently presents situations where a party's most important trade secret information is alleged to be relevant to the resolution of the case. This is true of both technical data, such as source code and records of product development, and business information, such as financial statements and underlying records of sales and profit calculation. In many cases, both parties' sensitive information may be at issue.

As a result, the start of meaningful discovery in a patent case almost always requires the entry of a protective order—or, at a minimum, temporary provisions ensuring the confidentiality of discovery materials until a final protective order can be

entered. Protective orders prevent disclosure of highly sensitive technical, financial, licensing, or business strategy information both to the public and to the parties' competitive decision makers. Therefore, courts should require parties to address the propriety of an umbrella protective order at the initial case-management conference if the parties have not already taken up the issue on their own initiative (or pursuant to local rule). The complexity and sensitivity of information produced in discovery may result in a request for a multitiered protective order governing discovery, in which some information is available to the opposing party but restricted to use in the specific litigation ("confidential"), and other, more sensitive information is given only to counsel of record and approved experts ("highly confidential" or "attorneys only"). Such orders are fairly common, and although they can be said to interfere with counsel's ability to advise their clients effectively, this objection can be addressed in a more specific context when a party seeks permission to share particular information that had been designated attorneys-only. *See, e.g.*, *Solaia Tech. LLC v. Jefferson Smurfit Corp.*, 2002 WL 1964762, 2002 U.S. Dist. LEXIS 15666, at *1–2 (N.D. Ill. Aug. 20, 2002).

The advantages of an umbrella protective order are that it reduces the number of times that the court is asked to resolve confidentiality issues, and it allows the information to be provided to opposing counsel in the first instance. Thus, when one side wants to change the designation of a particular document or set of data (for example, in order to prepare certain client representatives in advance of a settlement conference), the dispute can be informed by reference to actual documents, rather than abstractions.

The court should enter a protective order as soon as possible in the case. Often, key documents will not be produced until a protective order is entered to protect their confidentiality. The potential for opposition to entry of a protective order also weighs in favor of handling it at the outset of a case. In some litigation, the further the case develops, the harder it is for the parties to agree to confidentiality provisions. For example, in *Beech-Nut Nutrition Corp. v. Gerber Prods. Co.*, plaintiff Beech-Nut and defendant Gerber had jointly filed a stipulated protective order that the court rejected as overbroad. *See* No. CIV-S-01-1920-GEB-PAN, slip op. at 5 (E.D. Cal. Nov. 18, 2003). Beech-Nut opposed Gerber's subsequent motion for a protective order, despite originally agreeing to the stipulated protective order. *Beech-Nut*, No. CIV-S-01-1920-GEB-PAN (E.D. Cal. Mar. 16, 2004), slip op. at 1. However the terms of a protective order are determined, it is good practice to ensure that the protective order is in place before fact discovery begins in earnest.

2.1.2.1 Default Protective Orders

Many district courts implement default protective orders to avoid delays in patent litigation. Others provide default orders that give the parties advance guidance about the norms regarding protective order provisions for that district or judge, and provide judges with a neutral set of provisions that can be implemented in cases where the parties cannot agree on a joint protective order. Appendix 2.4 provides a catalog of default protective orders as well as a selection of default provisions. These approaches vary in terms of their timing and substance.

2.1.2.1.1 Timing

As noted, some districts have default protective orders that take effect automatically at the outset of the case. The Northern District of Illinois is one example. This district's approach recognizes that confidentiality issues abound in patent litigation. It prevents disputes or inaction regarding the protective order from delaying discovery, in particular, the exchange of patent-related contentions that the local rules require. After the default order is entered, the parties may, either at the outset of the case or later, seek a revised protective order that is more tailored to their case. Because the local rules provide for automatic entry of the default protective order, the desire to negotiate a more tailored version is not a basis to delay the disclosure and discovery schedule that the local rules contemplate. N.D. Ill. PLR 1.4. The Northern District of California takes a similar approach, requiring that "[d]iscovery cannot be withheld on the basis of confidentiality absent Court order. The Protective Order authorized by the Northern District of California shall govern discovery unless the Court enters a different protective order." N.D. Cal. Patent L. R. 2-2.

Another approach is to require that, in the absence of a protective order, materials produced in discovery be treated as "outside attorneys' eyes only" materials until a protective order is entered. *See*, *e.g.*, D. Del. LR 26.2 ("If any documents are deemed confidential by the producing party and the parties have not stipulated to a confidentiality agreement, until such an agreement is in effect, disclosure shall be limited to members and employees of the firm of trial counsel who have entered an appearance and, where appropriate, have been admitted *pro hac vice*. Such persons are under an obligation to keep such documents confidential and to use them only for purposes of litigating the case.").

Some districts have prepared default protective orders but stop short of entering them automatically when a case is filed. For example, the District of Delaware has adopted a set of guidelines for the exchange of electronic discovery and a separate set of guidelines for the inspection of source code, which implicate many of the same issues as umbrella protective orders. *See* D. Del. Electronic Discovery Default Standard and Default Standard for Access to Source Code. Parties are thus free to craft their own case-specific orders, but can do so with a clear understanding of what is likely to be implemented if they cannot agree on joint provisions. The District of Minnesota has taken a similar but more comprehensive approach by providing a sample protective order for the parties to work from in crafting an order tailored to the needs of their case. *See* D. Minn. Form 5. Appendix 2.4 contains default protective orders from the Northern District of California, the Northern District of Illinois, and the District of Minnesota, as well as the source code guidelines from the District of Delaware. They collectively illustrate the nuances of handling confidentiality issues in patent cases.

2.1.2.1.2 Substance—Tier Structure

The Northern District of California's multitiered default protective order illustrates the model. It distinguishes among three tiers: (1) "Confidential" information (information that qualifies for protection under Federal Rule of Civil Procedure

26(c)); (2) "Highly Confidential — Attorneys' Eyes Only" information (information that is "extremely sensitive," disclosure of which "would create a substantial risk of serious harm that could not be avoided by less restrictive means"); and (3) "Highly Confidential — Source Code" information ("extremely sensitive" information "representing source code and associated comments and revision histories, formulas, engineering specifications, or schematics that define or otherwise describe in detail the algorithms or structure of software or hardware designs"). *See* N.D. Cal. Patent L.R. 2-2 Interim Model Protective Order. While "Confidential" information may be disclosed to parties and their representatives who sign an acknowledgment of the protective order, so long as it is used only for the purposes of litigation, "Highly Confidential—Attorneys' Eyes Only" information may be disclosed only to in-house attorneys who are not involved in competitive decision making and whose identities are disclosed in advance. *Id.* "Highly Confidential—Source Code" information is made available for inspection pursuant to a strict set of guidelines, rather than produced, and is restricted to the same two in-house attorneys, as well as outside counsel and approved experts. *Id.*

Other courts have adopted a two-tier approach that does not explicitly identify source code. For example, the Northern District of Illinois adopted a default order that includes "Confidential" information ("information concerning a person's business operations, processes, and technical and development information within the scope of Rule 26(c)(1)(G), the disclosure of which is likely to harm that person's competitive position, or the disclosure of which would contravene an obligation of confidentiality to a third person or to a Court") and "Highly Confidential" information ("information within the scope of Rule 26(c)(1)(G) that is current or future business or technical trade secrets and plans more sensitive or strategic than Confidential Information, the disclosure of which is likely to significantly harm that person's competitive position, or the disclosure of which would contravene an obligation of confidentiality to a third person or to a Court"). *See* N.D. Ill. LPR Appendix B. While "Confidential" information may be disclosed to in-house counsel, "Highly Confidential" information may not, absent a court order. *Id.* The District of Minnesota has adopted a similar approach. *See* D. Minn. Form 5.

These and other default protective orders illustrate how courts commonly address the exchange of highly sensitive business and technical information in patent cases. Although some courts have adopted mandatory, default, or suggested protective orders, most districts allow the parties negotiate and jointly propose the text of a stipulated protective order that the court then enters. Since confidentiality concerns vary from case to case, the court should be open to customizing provisions of default protective orders. Party disagreements on the substance of the protective order are usually limited to a few provisions, although there is potential in some cases for asymmetric interests in protecting confidentiality (such as when only one party is actively bringing new products to market). Courts can resolve such disputes by discussing with the parties the types of information they expect to produce and the confidentiality concerns that flow from that production. The court can then craft its protective order to address those specific issues in each case.

2.1.2.1.3 Prosecution Bars

In situations where an attorney represents a party both in litigation and in front of the Patent and Trademark Office in prosecution or postgrant review proceedings, it may be appropriate to include a "prosecution bar" in the protective order. This provision limits the ability of those who have seen designated material to engage in prosecution activities for a certain amount of time. Section 4.2.6.3 provides a detailed analysis of the considerations bearing on prosecution bars.

2.1.3 Managing Claim Winnowing and Construction of Claim Terms

Patent claims play a central role in patent cases, as they establish and delineate the intellectual property. Every patent ends with one or more claims (*see* § 112(b); § 14.1.1.3) and it is not uncommon for patents to contain a dozen or more claims. Each claim can support a patent infringement cause of action. Patent cases can allege infringement of multiple patents and multiple claims within each patent.

Disputes over the scope of patent claims can also complicate patent litigation. Parties often dispute the interpretation of words or "terms" within the claims. Disputes can arise as to the meaning of scientific and technical terms as well as common terms (such as "the" or "a") within the context of the particular patent.

Early patent case management provides a critical opportunity to address both the number of patents and patent claims asserted and the scope of those claims. The former issue tends to arise most often in especially complex patent assertions, but there have been examples of single patents with more than a hundred claims that presented case-management challenges. Should the number of patents or patent claims present an issue, a plan for winnowing the range of asserted patent claims should be developed relatively early in the case. Section 2.1.3.1 addresses the key considerations in patent and claim winnowing while § 2.1.3.2 addresses the far more critical issue of patent claim construction. Table 2.1 summarizes the practical advantages and disadvantages of the most common approaches to claim winnowing and claim construction.

Table 2.1
Advantages and Disadvantages of the Most Common Approaches to Claim Winnowing and Claim Construction

Approach	Strategy	Advantages	Disadvantages
Limiting number of patent claims to be litigated	Phased winnowing of patent claims asserted.	Avoids complexity and duplicative claims.	May have to be revisited if unique issues as to liability or damages arise relating to claims that were removed.
Identification of disputed claim terms	Parties identify to each other claim terms to be construed.	May help narrow disputed terms.	Requirement to confer may extend time required for claim construction.

Approach	Strategy	Advantages	Disadvantages
Identification of proposed constructions and evidence	Parties identify to each other their proposed constructions along with the intrinsic and extrinsic evidence on which they intend to rely, then confer.	May help narrow disputed terms.	Requirement to confer may extend time required for claim construction.
Claim term selection criteria	Limiting the number of claim terms.	May help focus the parties on the terms most likely to be critical to decisions on the merits. In some cases, a phased approach may mitigate the disadvantages.	May result in some important disputes remaining unresolved, thereby decreasing the parties' ability to evaluate their probability of success (and thus hindering settlement) until late in the case. *See O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360–61 (Fed. Cir. 2008) (holding that all material claim-construction disputes must be resolved by the court prior to submission of the case to the jury).
Submission of joint statement of proposed constructions	Parties submit a joint claim-construction statement providing (a) a list of stipulated constructions; (b) the proposed constructions of each side for the disputed terms; and (c) the intrinsic and extrinsic evidence on which they intend to rely.	Forces the parties to identify the key disputed issues and evaluate the strength of the evidence in advance of burdening the court with briefing. Reduces the number of times parties change claim-construction positions during the briefing process. Provides the court with a useful roadmap of the upcoming briefing.	Extra submission may extend time required for claim construction and, depending on the schedule and the spillover from fact discovery, may force the parties to take positions before they have fully considered the issues.
Limiting the number of prior art references	Phased winnowing of prior art references that may be asserted at trial.	Reduces the cost and complexity of litigation and trial.	May unduly impair defendants' ability to challenge patent validity.

Approach	Strategy	Advantages	Disadvantages
Briefing	(a) Page limits, (b) simultaneous opening and opposing briefing without replies.	(a) May help focus issues and force the parties to avoid extraneous material; (b) can reduce the time needed for claim construction; and (c) gives both parties an equal chance to have the last word in a situation where neither side is really properly considered the movant.	(a) May prevent the parties from providing sufficient context into how the dispute over the proper construction is expected to influence the ultimate disputed issues of infringement and validity; and (b) can result in opening briefs that do not squarely address each other (generally the result of inadequate meeting and conferring in an earlier stage).
Technical Tutorial	Court receives an in-person or submitted (on paper or through multimedia) presentation regarding the technology. Recording the tutorial is useful.	Provides the court with context to help make better decisions about the meaning of highly technical and possibly unfamiliar terms. Submitted or recorded tutorials can be provided to new judicial clerks, as patent cases usually outlast any individual clerk's tenure. In addition, a recorded tutorial can be part of the appellate record.	Increases the burden on the court. Tutorials can be expensive for parties to produce. The parties will likely present information in a way that favors their view about the proper framework for approaching the technical issues.

2.1.3.1 Patent and Claim Winnowing

Claim winnowing has emerged in a relatively small, but growing, subset of cases in which patentees assert a large raft of patents and/or patent claims. *See, e.g.*, *Hearing Components, Inc. v. Shure, Inc.*, 2008 U.S. Dist. LEXIS 109230, 2008 WL 2485426, at *1 (E.D. Tex. June 13, 2008) (limiting plaintiff to three claims per asserted patent); *Fenster Family Patent Holdings, Inc. v. Siemens Med. Sols. USA, Inc.*, 2005 U.S. Dist. LEXIS 20788, 2005 WL 2304190, at *3 (D. Del. Sept. 20, 2005) (limiting plaintiff to ten patent claims and five asserted products). In one notoriously complex case, the patentee asserted 1,975 claims from more than a dozen patents against 165 defendants in 50 groups of related defendants. *See In re Katz Interactive Call Processing Pa-*

tent Litig., 639 F.3d 1303, 1309 (Fed. Cir. 2011). Many of the patents and patent claims substantially overlapped. The district court ordered the patentee to winnow the number of patent claims being asserted—initially requiring selection of no more than forty claims per defendant group, with further winnowing down to sixteen claims per defendant group following discovery, subject to various provisos. The Federal Circuit condoned this practice provided that the district court's method for requiring the patentee to select claims allowed the patentee the opportunity to add claims that presented unique issues as to liability or damages. *Id*. at 1312–13; *see also Stamps.com Inc. v. Endicia, Inc.*, 437 F. App'x 897, 902–03 (Fed. Cir. 2011) (district court did not abuse its discretion by limiting a patentee to fifteen claims because the limit was not "immutable."). Some courts require some limitation of the number of asserted patent claims prior to claim construction, with a further limitation required after claim construction and yet a further limitation before trial. This step-wise approach allows the plaintiff to refine its theories as the case progresses through discovery, claim construction, and dispositive motions.

In 2013, the Federal Circuit Advisory Council promulgated a broader framework for streamlining patent cases, reducing the complexity of patent cases, and reducing litigation costs. *See* Model Order Limiting Excess Patent Claims and Prior Art (Fed. Cir. Advisory Council, 2013) (contained in Appendix D). The Model Order, which reflects the recommendations of the Federal Circuit Advisory Council, but not necessarily the views of all members of the Federal Circuit, and is not binding on district courts, provides a framework for managing the number of claims litigated, the number of prior art references that are presented, the number of claim terms that may be construed, and the number of accused products at issue.

The Model Order provides a phased process for winnowing the number of asserted patent claims:

- "Not later than 40 days after the accused infringer is required to produce documents sufficient to show the operation of the accused instrumentalities, the patent claimant shall serve a Preliminary Election of Asserted Claims, which shall assert no more than ten claims from each patent and not more than a total of 32 claims."
- "Not later than 28 days after the Court issues its Claim Construction Order, the patent claimant shall serve a Final Election of Asserted Claims, which shall identify no more than five asserted claims per patent from among the ten previously identified claims and no more than a total of 16 claims."

Model Order Limiting Excess Patent Claims and Prior Art §§ 2, 3 (Fed. Cir. Advisory Council, 2013) (contained in Appendix D).[1] The Model Order encourages parties to discuss lower limits based on "case-specific factors such as commonality among asserted patents, the number and diversity of accused products, the complexity of the technology, the complexity of the patent claims, and the complexity and number

1. The Model Order relaxes these limitations when only one patent is asserted, increasing the per-patent limits "by 50%, rounding up." Model Order Limiting Excess Patent Claims and Prior Art § 4 (Fed. Cir. Advisory Council, 2013).

of other issues in the case that will be presented to the judge and/or jury. In general, the more patents that are in the case, the lower the per-patent limits should be. The parties shall jointly submit any proposed modifications in their Federal Rule of Civil Procedure 26(f) Discovery Plan." *See id.* at n.1.

Not every patent case will need this formal, phased procedure to winnow its claims. However, for complex cases, the Model Order provides a framework to adapt to the circumstances of the particular case.

2.1.3.2 Claim Construction

Construing patent claim terms has long been a key aspect of patent litigation and arises in almost every patent case. Since the mid-1990s, a growing number of courts have opted to construe patent claim terms prior to trial. This was a reaction to the rise of jury trials to resolve patent cases in the 1980s, which created a problem for the district judge and Federal Circuit in reviewing a jury's determination. The scope of patent claims was often shrouded in the secrecy of jury deliberations. The district judge and the Federal Circuit had little basis on which to assess the jury's construction of patent claims.

The Supreme Court's seminal decision in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391 (1996), took claim construction out of the jury's hands and put the responsibility squarely on the district judge to construe patent claim terms. More recently, *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015), not only confirmed that district courts were authorized to resolve subsidiary factual issues underlying claim construction, but held that such findings of fact should be upheld unless they are clearly erroneous.

Given this allocation of decision-making authority, it often makes sense for the district judge to construe the patent claim terms significantly in advance of trial, for several reasons. This practice enables the parties to understand the key issues for trial more thoroughly and can guide the preparation of expert reports. In addition, claim construction can provide the basis for summary judgment, potentially simplifying or resolving the case. Early claim construction also enables the court and the parties to begin to prepare jury instructions.

We explore the early case-management aspects of claim construction in this chapter. Chapter 5 focuses on substantive issues relating to claim construction as well as the conduct of the hearing.

To structure and facilitate the claim-construction process, more than thirty districts have adopted patent local rules (PLRs) setting forth a standardized timeline and framework for disclosures and submissions leading up to a claim-construction or "*Markman*" hearing. Appendix D lists, and links to, these local rules as well as exemplars. While the specific timing, sequence, and content of disclosures and submissions vary among districts, patent local rules share a basic principle—they seek to present the court with a limited set of actual and meaningful disputes. *See generally* James Ware & Brian Davy, *The History, Content, Application and Influence of the Northern District of California's Patent Local Rules*, 25 Santa Clara Comp. & High Tech. L.J. 965 (2009) (providing a detailed account of the evolution of the Northern

District of California's patent local rules, the first and most influential local rule initiative).

The impetus for PLRs was a clash between the liberal notice pleading policy[2] underlying the Federal Rules of Civil Procedure and the need for patent litigants to receive more specific notice of the issues they were litigating. *See, e.g.*, *O2 Micro Int'l Ltd. v. Monolithic Power Sys.*, 467 F.3d 1355, 1365–66 (Fed. Cir. 2006). The plaintiff has not traditionally been required to specify which claims are infringed. Nor has the plaintiff needed to plead its theory of the meaning of the claim terms and the features of the defendant's products that are alleged to infringe. Because a plaintiff may assert infringement of multiple claims in multiple patents, a defendant reading a notice pleading complaint is typically left to guess the boundaries of a plaintiff's case and the available defenses.

A patent plaintiff reading a notice pleading answer and counterclaim is equally in the dark about the substance of the defendant's case. The defendant, for example, need not identify the prior art on which its invalidity defense relies. Nor does the defendant have to plead its theories of claim construction or which combinations of prior art references might invalidate each of the claims. Only the defense of unenforceability due to inequitable conduct in the procurement of the patent must be pled with particularity because it is viewed as a species of fraud. *See Exergen Corp. v. Wal-Mart Stores, Inc.,* 575 F.3d 1312, 1329 (Fed. Cir. 2009); *but cf.* D.N.H. SPR 2.1(a) (requiring any complaint (or counterclaim) for patent infringement to contain a list of all accused products or processes and at least one illustrative asserted patent claim (per asserted patent) for each product or process).

Initial disclosures required under Federal Rule of Civil Procedure 26 do not alleviate this problem. Implementing routine discovery procedures such as service of contention interrogatories or expert discovery could ultimately provide the necessary information. However, contention interrogatories are often not required to be meaningfully answered until the late stages of discovery. And expert discovery is most efficiently conducted after fact discovery makes it possible to narrow the issues.

As a result, absent forced, early substantive disclosure, patent litigants have been known to engage in a "shifting sands" approach to litigation based on "vexatious shuffling of positions." *See LG Elecs., Inc. v. Q-Lity Computer, Inc.*, 211 F.R.D. 360, 367 (N.D. Cal. 2002). Litigants may offer initial, substantially hedged, theories of infringement or invalidity, only to change those theories later by asserting different patent claims, different prior art, or different claim constructions, if their initial positions founder. Resulting extensions of fact and expert discovery can unduly prolong the litigation, unnecessarily sapping the court's and the parties' resources.

PLRs were developed to facilitate efficient discovery by requiring patent litigants to promptly disclose relatively specific bases underlying their claims. By requiring parties to disclose contentions in an orderly, sequenced manner, PLRs counter the

2. Note that changes to the Federal Rules of Civil Procedure, including the abolition of Rule 84 and the Appendix of Forms (including Form 18, the form patent infringement complaint), that took effect on December 1, 2015, will reduce this tension.

"shifting sands" tendencies. Neither litigant can engage in a strategic game of saying it will not disclose its contentions until the other side reveals its arguments. In discussing the Northern District of California's PLRs, the Federal Circuit explained that they are designed to require

> both the plaintiff and the defendant in patent cases to provide early notice of their infringement and invalidity contentions, and to proceed with diligence in amending those contentions when new information comes to light in the course of discovery. The rules thus seek to balance the right to develop new information in discovery with the need for certainty as to the legal theories.

O2 Micro, 467 F.3d at 1365–66; *see also Nova Measuring Instruments Ltd. v. Nanometrics, Inc.*, 417 F. Supp. 2d 1121, 1123 (N.D. Cal. 2006) ("The [patent local] rules are designed to require parties to crystallize their theories of the case early in the litigation and to adhere to those theories once they have been disclosed.").

PLRs adopted by a district, or by an individual judge as a standing order or a case-specific order, supplement the Federal Rules of Civil Procedure. Courts may modify the procedures dictated by PLRs as necessary to suit the issues presented in a particular case. *See, e.g.*, N.D. Cal. Patent L.R. 1.2. All modifications, as well as the rules or standing orders, must, of course, be consistent with Federal Circuit case law to the extent an issue "pertains to or is unique to patent law." *See O2 Micro*, 467 F.3d at 1364 (citing *Sulzer Textil A.G. v. Picanol N.V.*, 358 F.3d 1356, 1363 (Fed. Cir. 2004)). For example, Federal Circuit law was applied in cases addressing whether claim charts exchanged by parties pursuant to PLRs could be amended to add new statutory bases for invalidity and infringement. *See, e.g., Genentech, Inc. v. Amgen, Inc.*, 289 F.3d 761, 774 (Fed. Cir. 2002); *Advanced Cardiovascular Sys. v. Medtronic, Inc.*, 265 F.3d 1294, 1303 (Fed. Cir. 2001). In these situations, the Federal Circuit held that the sufficiency of notice regarding defenses or theories of liability under specific statutory provisions of patent law "clearly implicat[ed] the jurisprudential responsibilities of this court within its exclusive jurisdiction." *Advanced Cardiovascular*, 265 F.3d at 1303; *see also In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803–04 (Fed. Cir. 2000) (applying Federal Circuit law to a question of attorney–client privilege between patentee and patent attorney).

PLRs promote efficient case management by requiring the patentee to disclose the basis for its infringement contention and the accused infringer to disclose the basis for patent invalidity defense relatively early in the litigation process. In addition to advancing the claim-construction process, these disclosures set natural boundaries for discovery. They encourage settlement by providing parties with a reliable look at the specific accusations being presented and the evidence supporting them. In addition, some districts establish presumptive limits on the number of claim terms that will be construed to focus the litigation and streamline case management.

It should be noted that PLRs are merely presumptive and not mandatory. Judges in PLR districts retain authority to vary the rules to accommodate distinctive challenges or opportunities posed by particular cases. *See* N.D. Cal. Patent L.R. 1-3 ("The Court may modify the obligations or deadlines set forth in these Patent Local Rules based on the circumstances of any particular case, including, without limitation, the simplicity or complexity of the case as shown by the patents, claims, products, or

parties involved. Such modifications shall, in most cases, be made at the initial case-management conference, but may be made at other times upon a showing of good cause."). Experience has shown that attorneys in districts with PLRs generally appreciate the balance and clarity that the rules provide. As a result, modification requests are relatively rare. In fact, attorneys familiar with such rules often propose similar parameters for managing cases in districts without formal PLRs.

Table 2.2 depicts a typical timeline for a patent case utilizing patent-specific initial disclosures, a structured claim-construction briefing process including a joint claim-construction statement, and a *Markman* hearing. The process depicted here is consistent with the requirements of local patent rules in districts such as the Northern District of California and the Eastern District of Texas.[3]

Table 2.2
Patent Local Rules Timetable,
Northern District of California

(1) Case-Management Conference	Set by Court	Patent Local Rule
(2) Disclosure of Asserted Claims and Infringement Contentions	Within 10 days of (1)	3-1 & 3-2
(3) Invalidity Contentions	Within 45 days of (2)	3-3 & 3-4
(4) Identify Claim Terms to be Construed	Within 10 days of (3)	4-1
(5) Preliminary Claim Constructions	Within 20 days of (4)	4-2
(6) Joint Claim-Construction Statement	Within 60 days of (3)	4-3
(7) Close of Claim-Construction Discovery	Within 30 days of (6)	4-4
(8) Opening Claim-Construction Brief	Within 45 days of (6)	4-5(a)
(9) Responsive Claim-Construction Brief	Within 14 days of (8)	4-5(b)
(10) Reply Claim-Construction Brief	Within 7 days of (9)	4-5(c)
(11) *Markman* Hearing	Within 14 days of (10)	4-6
(12) Claim-Construction Order	TBD by Court	N/A
(13) Produce Advice of Counsel, if any	Within 50 days of (12)	3-7

3. In March 2008, the PLRs for the Northern District of California were amended in two important respects, which are reflected in the text and table in this section. First, the concept of "preliminary" contentions has been eliminated in favor of reliance on the traditional practice of allowing amendments only for good cause. Second, in designating claim terms for construction, the parties are limited to ten terms, absent leave of court.

An accelerated timeline may be appropriate for less complex cases, for example where the technology is simple, or there is little dispute as to the structure, function, or operation of accused devices. Under a particularly streamlined plan, the parties would not make patent-specific initial disclosures or file joint claim-construction statements. The court might also forgo a *Markman* hearing and address claim construction as part of summary judgment. Table 2.3 provides an example of such a timeline. The decision to adopt an accelerated timeline is best made after discussing the substantive issues that will drive the case with the parties. *See* § 2.5; General Order 14-3 (E.D. Tex. Feb. 25, 2014) (creating a "Track B" accelerated discovery schedule for patent infringement suits in the Eastern District of Texas where the parties jointly agree such a schedule would be beneficial).

Table 2.3

Accelerated Patent Case-Management Timeline

(1) Case-Management Conference	Set by court
(2) Produce Opinion of Counsel, if any	Within 2 months after CMC
(3) Close of Fact Discovery	5 months after CMC
(4) Close of Expert Discovery	2 months after (3)
(5) Opening Briefs on Claim Construction and Summary Judgment	Within 30 days of (4)
(6) Responsive Briefs on Claim Construction and Summary Judgment	Within 14 days of (5)
(7) Reply Briefs on Claim Construction and Summary Judgment	Within 7 days of (6)
(8) Claim Construction and Summary Judgment Hearing	Within 14 days of (7)
(9) Claim Construction and Summary Judgment Order	TBD by court

Some districts, including several with substantial patent dockets (most notably Delaware,[4] Eastern Virginia, and Western Wisconsin), have not established a district-wide, rules-based approach to contention and claim-construction discovery. Instead, they address these issues on a judge-specific basis or through standard written discovery. The feasibility of the standard written discovery approach is improved when the court conducts claim construction after the close of fact discovery because both contentions and supporting evidence provided in interrogatory responses are often updated through the end of (and, at times, after) the fact discovery period.

4. Chief Judge Stark (D. Del.) has issued standardized procedures for managing patent cases, form scheduling order, and case-management checklists that parallel and go beyond district-wide patent local rules. Appendix 2.2 contains these documents.

Where a court intends to conduct claim construction earlier in the case (which might be especially advantageous where construction of a claim term could be case dispositive, *see* § 5.1.1), a court in a district that does not have patent local rules should nonetheless require the parties to exchange their burden-of-proof contentions, their claim-construction positions, and their supporting evidence well in advance of the claim-construction briefing.

2.1.3.2.1 Winnowing Claim Terms

As is more fully explored in § 5.1.2.1.3, district courts have wide discretion to limit the number of claim terms at issue, at least provisionally. Restricting the scope of the *Markman* hearing focuses the court's attention on the key issues (which may dispose of the case) and allows a more prompt and well-reasoned ruling on the central matters in the case. A substantial body of experience has shown that allowing the parties wide discretion to brief all claim terms that are potentially at issue invites false or inconsequential disputes. Parties reflexively seek to avoid the risk of a waiver finding, if they refrain from raising peripheral disputes.

To focus patent litigation on the most salient issues, a growing number of courts have established a presumptive limit on the number of claim terms—typically ten—that will be presented at the *Markman* hearing. Some districts have revised their PLRs to require the parties to jointly identify ten terms "likely to be most significant to resolving the parties' dispute, including those terms for which construction may be case or claim dispositive." *See* N.D. Cal. Patent L.R. 1.2; *see also* N.D. Ill. LPR 4.1(b) (requiring parties to limit terms submitted for construction to ten, absent a showing of good cause). The default ten-term limit can be increased or decreased depending on the circumstances of the case. In addition, some courts require parties to explain *why* particular terms are case-dispositive or otherwise significant so as to provide the court with context for the claim-construction dispute as well as the basis for deciding whether early construction of particular claim terms is warranted. *See, e.g.*, Magistrate Judge John D. Love (E.D. Tex.), Standing Order Regarding Letter Brief and Briefing Procedures for Early *Markman* Hearing/Summary Judgment of Noninfringement Requests, http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=21674.

The ten-term limit does not fix the total number of terms that can be construed before trial. Parties can seek to construe additional terms at later phases in the case. However, for purposes of the principal *Markman* hearing, selecting the most significant terms allows courts to resolve the key disputes in the case most efficiently.

2.1.3.2.2 Claim-Construction Briefing and Oral Argument

Most district courts routinely utilize a *Markman* briefing coupled with a hearing, which typically consists of an argument of counsel and may include witness testimony, although this has been rare. Other courts do not hold a *Markman* hearing unless they determine from briefing that it would be helpful, such as when the experts sharply diverge on the perspective of a person of ordinary skill in the art. Many courts find it useful to have the parties first present a technology tutorial that sets the

stage for the arguments that follow. Some courts will let the relevant claim terms emerge in briefing. Others do more to encourage the parties to reach agreement in advance on a set of disputed terms, for example, by requiring submission of joint claim-construction statements. *See* N.D. Cal. Patent L.R. 4-3. A district judge has broad discretion to manage the claim-construction process, which is reflected in the variety of mechanisms that courts have used. A court's decisions about claim timing and process should, however, consider the interrelation of claim construction with other aspects of the pretrial process, particularly discovery, summary judgment, and settlement.

The Supreme Court's decision in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015), expressly recognizes that district courts might engage in fact-finding during claim construction and that the *Markman* process might involve evidentiary hearings and expert declarations. *See* J. Jonas Anderson & Peter S. Menell, *Restoring the Fact/Law Distinction in Patent Claim Construction*, 109 Nw. U. L. Rev. Online 185 (2015). Appreciating the ramifications of the *Teva* decision requires understanding the perspective from which patent claims are interpreted and the Federal Circuit's past application of the *Markman* decision.

> Courts interpret patent claims from the perspective of persons having ordinary skill in the art as of the time of the invention. *See Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1477 (Fed. Cir. 1998). Since few judges have such training and knowledge, they must step into the shoes of skilled artisans. As Professor William Callyhan Robinson explained more than a century ago, the court may look to: [T]estimony to explain the meaning of its language, or to expert evidence to ascertain the essential characteristics of the described invention and the differences between it and other patented inventions, or to papers in the Patent Office which are connected with the patent . . . to show the significance which [the inventor] attached to the terms.

3 William C. Robinson, The Law of Patents for Useful Inventions 248 (1890). In its *Markman* decision, the Supreme Court recognized the mixed fact/law character of claim construction. *See Markman*, 517 U.S. at 389–90 (characterizing claim construction as a "mongrel practice").

Yet following the *Markman* decision, the Federal Circuit heavily discounted the use of extrinsic evidence, warning that "[a]llowing the public record to be altered or changed by extrinsic evidence introduced at trial, such as expert testimony, would make this right meaningless." *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996). The Federal Circuit reinforced that holding in ruling, en banc, that claim construction is a pure question of law. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) (en banc); *Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272 (Fed. Cir. 2014) (en banc).

In overruling these decisions, the Supreme Court restored the fundamental principle, reflected in Federal Rule of Civil Procedure 52(a)(6), that courts of appeals uphold a district court's findings of fact unless they are clearly erroneous. *See Teva*, 135 S. Ct. at 835–38. As a result, district courts now have greater leeway to use traditional evidentiary techniques to determine how persons skilled in the technical arts relating to the claimed invention would have understood the claim terms at the time the invention was made. In the wake of the *Vitronics* and *Cybor* decisions, district courts

avoided such evidentiary processes. Now, after *Teva*, district courts have leeway to use evidentiary hearings and other fact-finding techniques to resolve disputes as to how skilled artisans would have understood a claim term within the context of the patent at the time the invention was made.

It will be important, however, to recognize the primacy of the intrinsic evidence—the patent document and the prosecution history—in construing patent claims for two reasons. First, the Supreme Court emphasized that the intrinsic evidence overrides extrinsic evidence where the two diverge. This is consistent with the Federal Circuit's en banc decision in *Phillips*, which held that intrinsic evidence takes precedence over extrinsic evidence and dictionaries. *See Phillips v. AWH Corp.,* 415 F.3d 1303 (Fed. Cir. 2005) (en banc); § 5.2.2. Second, opening up the *Markman* process to evidentiary hearings whenever a party offers expert testimony could greatly complicate claim construction and waste resources.

Building on its *Markman* framework, the Supreme Court's *Teva* decision endorses a hybrid standard: factual determinations underlying claim-construction rulings are subject to the "clearly erroneous" (or "abuse of discretion") standard of review, while the Federal Circuit exercises de novo review over the ultimate claim-construction decision. In this manner, district judges can use their distinctive vantage point and evidentiary tools to ferret out factual underpinnings while the Federal Circuit can operate as a check on fidelity to the patent instrument. Therefore, even though the Federal Circuit retains de novo review of whether a trial court's construction of a patent claim comports with the intrinsic evidence, the appellate court must nonetheless sustain the trial court's subsidiary factual findings unless clearly erroneous. In cases where it is necessary to go beyond the intrinsic evidence to interpret claim meaning, the district court's resolution, if adequately grounded in extrinsic evidence, will control.

Where the court determines that a claim term warrants construction and subsidiary fact-finding would be valuable, the court should: (1) seek to delineate the disputed subsidiary factual questions prior to the *Markman* proceeding, (2) conduct focused briefing with supporting expert declarations and evidentiary hearings to create an adequate record for resolving such disputes, and (3) prepare a careful *Markman* order explaining the basis for their claim construction.

As noted above, the *Teva* framework presents the risk of greater cost and delay as parties engage in escalating battles of the experts. Such problems, however, are not unique to patent adjudication, although the technological complexity of patent cases creates greater opportunity for such tactics. District judges must not lose sight of intrinsic evidence's central role in claim construction, and must exercise due caution in entertaining extrinsic evidence.

It is important to recognize that parties dispute the construction of a variety of types of claim terms. Experience has shown that many of the disputed terms that are appealed to the Federal Circuit are not technical or scientific terms, but common terms whose meaning becomes disputed within the context of the particular patent claim.

Scientists and engineers usually have relatively clear understandings of many scientific or technical terms as used in their fields, even though such terms may be

beyond a district judge's general experience. Scientists or engineers who take unjustified positions, particularly with respect to common terms, risk that federal judges will impugn their credibility. Since *Markman* testimony would not occur before a jury, district judges have substantial leeway to press the experts to clarify their positions. Over time, this possibility should help district judges understand any technical issues that underlie the parties' contentions and better determine whether the correct construction is one party's proposal, the other's, or neither party's.

The *Teva* decision arguably places a greater onus on district judges to understand and explain how they parse claim language. The decision affords them greater flexibility to use familiar tools for resolving factual disputes—presentation of evidence and expert testimony. At the same time, it may demand that they show how disputed subsidiary facts relate to the intrinsic evidence. Ultimately, this framework should add to the reliability of the dispute resolution process by bringing better evidence, more scrutiny, and fuller explication to bear on claim construction.

2.1.3.2.3 Claim Construction and Discovery

2.1.3.2.3.1 Discovery Prior to Claim Construction

As Chapter 5 explores more thoroughly, claim construction is based on the patent claims, specification, prosecution history, and, in some cases, on extrinsic evidence to reconstruct what patent claim terms would have meant to a person skilled in the art. In theory, therefore, discovery relating to the structure and function of accused devices or a patent holder's own products might seem unnecessary. *See SRI Int'l v. Matsushita Elec. Corp. of Am.*, 775 F.2d 1107, 1118 (Fed. Cir. 1985) (en banc). However, often, only by knowing the details of the accused product and the relevant prior art can the parties determine which claim terms need construction. Otherwise, the court might be asked to provide definitions for words and phrases that are unlikely to materially affect the outcome of the litigation. Likewise, an inventor's testimony as to what a patent means is typically seen as extrinsic evidence. The claim-construction process gives this testimony less weight, particularly when it is offered in a self-serving way. It can, however, help the court understand the context and background of an invention as well as what the inventor understood to be the point of novelty. In some cases, an inventor's deposition can also illuminate what happened during prosecution of the patent application, which in turn can shed light on the meaning of some terms.

The Supreme Court's *Teva* ruling has expanded the use of expert declarations and testimony in claim construction. As a result, it can be particularly useful to a court to ask the parties early in the claim-construction process if they intend to rely on expert testimony and, if so, what the substance of the testimony will be. The court will then be in a position to evaluate the need for such testimony. If the court already plans to have an expert tutorial in conjunction with the *Markman* hearing, it can leave its options open by informing the parties that it might take evidence from the experts should factual confusion or disputes arise. Since the *Markman* process does not involve juries, the court has greater flexibility in structuring the proceeding. For instance, the court can use the so-called "hot tub" method, in which the court asks

the opposing technical experts to address directly each other's testimony and the judge's questions to sharpen and clarify the disputed issues and assess the credibility of the witnesses. Of course, depending on the case and the claim terms in dispute (e.g., technical versus common terms), claim construction may not benefit from expert testimony, and in those situations, the court may choose to exercise its discretion and not allow it, or limit it to the resolution of particular terms.

In practice, permitting fact discovery in advance of claim construction helps focus the claims and defenses in a case. For example, once a plaintiff has discovery on the structure and function of accused products or processes, it may eliminate certain claims that it initially intended to assert. It can prioritize the claim terms that will best bridge the gap between the parties' views regarding the value of the litigation. Accordingly, discovery in advance of claim construction is common. Indeed, the specialized local patent rules of most districts that have adopted them expressly provide for discovery prior to claim construction, including mandated early disclosures of infringement and invalidity contentions. It can be helpful for a court to discuss potential limits on or phasing of pre-claim-construction discovery with the parties. In some cases, it could be wasteful to devote substantial resources to discovery on issues unrelated to claim construction (e.g., damages, equitable defenses, and willfulness) when the claim-construction ruling could be dispositive or drive settlement.

2.1.3.2.3.2 Fact Discovery After Claim Construction

Often, as a result of a court's claim-construction order, issues arise which justify additional fact discovery. For example, the court's definition of a disputed claim term might implicate previously uninvestigated features of an accused device because a court is not limited to choosing between constructions proposed by the parties. Most courts, therefore, set fact discovery to proceed for some period after the expected ruling on claim construction. Courts managing cases in which an inventor is deposed for *Markman* purposes sometimes limit that initial deposition to claim-construction–related topics, and allow a more general deposition after the *Markman* process is complete.

2.1.3.2.3.3 Expert Discovery After Claim Construction

Expert reports on infringement, invalidity, and damages are central to almost every patent case. Technical experts opine on infringement and invalidity based on the meaning of the claim terms as determined by (or anticipated from) the court's claim-construction order. For this reason, claim construction should precede expert reports and depositions. Claim construction might also affect damage analyses. For example, as a result of the court's ruling, it might become apparent that certain accused devices or features do not infringe or that a hypothetical design-around might have been easier or more difficult. Many courts, therefore, schedule expert discovery and depositions to begin after claim construction. In other jurisdictions, courts set expert discovery before claim construction but require experts to write their reports in the alternative relative to each side's proposed constructions.

2.1.3.2.3.4 Legal Contentions After Claim Construction

In many cases, the legal theories on infringement or invalidity adopted by the parties may not work as well as a litigant expected after claim construction. In some cases or jurisdictions—especially those in which claim construction happens at the end of the case and/or in connection with summary judgment—the parties are provided only limited opportunities to change infringement and invalidity theories after claim construction. This forces the parties to think hard about their case early in the litigation and to settle on a particular theory. For that reason, it also prevents sandbagging. On the other hand, limiting the parties' ability to modify their legal theories after claim construction can result in a trap for the unwary and/or harshly deprive a party of an otherwise valid claim or defense. This is especially true when, as is often the case, the court adopts constructions that differ from *both* sides' proposals. The parties may not have anticipated the court's constructions and find that the construction has broken their theories.

For this reason, many courts allow parties to modify their infringement and invalidity contentions after claim construction, but require a "timely showing of good cause" to do so. *See, e.g.*, N.D. Cal. Patent L.R. 3-6; *see also O2 Micro*, 467 F.3d at 1366 (Fed. Cir. 2006) (affirming lower court's requirement that a party show diligence in order to establish "good cause" under local patent rules); *Finisar Corp. v. DirecTV Grp.*, 424 F. Supp. 2d 896, 901–02 (E.D. Tex. 2006) ("Invalidity is an affirmative defense, and the party which does not properly investigate applicable prior art early enough to timely meet disclosure requirements risks exclusion of that evidence.").

2.1.3.2.4 Claim Construction Generally Should Precede, but May Be Combined with, Summary Judgment

Claim construction is a critical predicate to the most common summary judgment motions. Indeed, the structure and operation of an accused device is often undisputed so that the determination of infringement will collapse into a question of claim construction. *Athletic Alternatives, Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1578 (Fed. Cir. 1996). The same can be true for invalidity. Claim construction is the foundation for analysis of both infringement (has the patentee claimed the technology practiced by the defendant?) and invalidity (does the patentee's claim "read on"[5] preexisting technology?). Most courts complete claim construction first, before allowing dispositive motions, on the theory that the parties need a definitive statement of claim scope before preparing summary judgment papers. It can be a significant burden to prepare a motion for summary judgment—including the supporting statements of undisputed material facts and declarations from fact and expert wit-

5. The phrase "read on" is a term of art in patent law. If an accused device, manufacture, composition, or process embodies each element of a patent claim (and hence infringes), the claim is said to "read on" it. Similarly, a patent claim "reads on" a prior art reference (and hence is invalid) if the prior art reference contains each of the claim limitations.

nesses—that takes into account multiple, potential constructions of key terms. Motions prepared with the claims already construed can be more focused on the reasons summary judgment is justified, and better fit within court-prescribed page limits. Other courts emphasize the risk that separate, isolated claim construction, done without a sufficient understanding of why and how the dispute about the meaning of a term *matters*, results in an abstract exercise that is more likely to be wrong. As a result, these courts combine the claim-construction and summary judgment proceedings. Alternatively, a few courts do not schedule dispositive motions for the same time as claim construction. They do, however, require the parties to explain the significance of the competing claim constructions and limit their ability to offer alternative theories of infringement or noninfringement that were not previously disclosed. Although there are substantial reasons to prefer an early claim construction (such as the ability to provide clarity and information on settlement value to litigants earlier in the case), it is also worth noting the Federal Circuit's position that claim constructions are not ripe for appellate review until the full factual record has been developed. *See, e.g.*, *Wilson Sporting Goods Co. v. Hillerich Bradsby Co.*, 442 F.3d 1322, 1327 (Fed. Cir. 2006). For that reason, early claim construction does not normally allow pretrial review of this interlocutory decision, even on a writ.

As explored more fully in Chapter 6, some experienced patent jurists have found it useful to distinguish between two kinds of summary judgment motions: (1) those that turn primarily or exclusively on claim construction—such as noninfringement (e.g., whether the claimed invention reads on the accused device)—and (2) those that turn principally on issues other than claim construction. These jurists have found that it is most efficient to combine the first set of summary judgment motions with claim construction. *See* § 6.1.2; *cf. MyMail, Ltd. v. Am. Online, Inc.*, 476 F.3d 1372, 1378 (Fed. Cir. 2007) ("Because there is no dispute regarding the operation of the accused systems, that issue reduces to a question of claim interpretation and is amenable to summary judgment."); *Gen. Mills, Inc. v. Hunt-Wesson, Inc.*, 103 F.3d 978, 983 (Fed. Cir. 1997) ("Where the parties do not dispute any relevant facts regarding the accused product . . . but disagree over possible claim interpretations, the question of literal infringement collapses into claim construction and is amenable to summary judgment."). These jurists address these motions either simultaneously with claim construction or immediately thereafter and consider the second category of summary judgment motions at another time, depending on other scheduling concerns, such as discovery.

2.1.3.2.5 Claim Construction May Encourage Settlement

One argument in favor of early, separate claim construction is that it may facilitate settlement. This may be more likely following the Supreme Court's *Teva* decision, which defers to district court claim constructions on subsidiary factual determinations. In some cases, it may be appropriate to conduct an early claim construc-

tion for a subset of the disputed claim terms that are deemed case-dispositive.[6] A court's rulings on claim scope can help the parties recalibrate their assessment of exposure and allow each side to take a fresh look at its case. As a result, it may be fruitful to schedule a settlement conference shortly after issuance of a claim-construction order. *See* § 2.4. This can be especially effective where one side (generally the defendant) identifies a single issue as its strongest argument for an outcome in its favor. If the defendant raises this issue during the initial CMC, and the court schedules an early claim construction followed by summary judgment on that single issue, it may substantially reduce the overall cost of the litigation. This procedure, however, should only be used where the defendant can convincingly explain *why* the case largely turns on a single disputed issue. Otherwise, there is potential for abuse in a request for limited claim construction and an early dispositive motion because defendants have an incentive to use the procedure to get the court to decide separately multiple attacks on the patent. On the other hand, it is also true that plaintiffs have an incentive to resist scheduling such a motion early in the case, not because the motion will not be dispositive, but because the plaintiff may hope to use the nuisance cost and disruption of the litigation to extract a larger settlement from the defendant. Thus, while this procedure can be very effective in the right cases, it should be deployed only after closely examining its positive and negative effects in the particular case.

2.1.3.2.6 Preliminary Injunction Motions Usually Require Preliminary Claim Construction

Preliminary injunction motions in patent cases typically require a court to construe claim terms on an accelerated schedule. Briefing usually includes the parties' positions on key claim terms (albeit less informed than they might have been through discovery, as explained above), and a court's decision to grant or deny the motion will often hinge on claim-construction issues. However, these preliminary constructions are not binding. *Sofamor Danek Grp., Inc. v. DePuy-Motech, Inc.*, 74 F.3d 1216, 1221 (Fed. Cir. 1996). Subsequent, more detailed briefing and analysis may lead a court to reconsider and revise constructions applied in a preliminary injunction motion. *See CVI/Beta Ventures, Inc. v. Tura LP*, 112 F.3d 1146, 1160 n.7

6. For example, the Eastern District of Texas invited a defendant to submit a letter brief requesting the court to construe no more than three case-dispositive terms. The court would then hold "an early *Markman* hearing on the identified case dispositive terms . . . . If the case is not resolved following the Court's claim construction summary judgment rulings, a *Markman* hearing, as set forth in the Docket Control Order or at the patent status conference, will occur as scheduled." *Glob. Sessions LP v. Travelocity.com, LP et al.*, 2011 U.S. Dist. LEXIS 155901 (E.D. Tex. Aug. 18, 2011); *see also Parallel Networks v. AEO, Inc.*, No. 6:20cv275-LED-JDL (E.D. Tex. Mar. 15, 2011) (ordering a *Markman* hearing on a small number of claim terms; reasoning that the hearing would "resolve several important issues at a beneficial time for each party to better evaluate its case").

(Fed. Cir. 1997); *see also* § 5.3.2.4.1. We explore the preliminary injunction stage of patent litigation in Chapter 3.

2.1.4 Managing the Parties' Claims, Defenses, Prior Art References, and Counterclaims

Patent local rules, standing orders, and the Federal Circuit Advisory Council's model order address a variety of more specific disclosure and case-management practices. This section explores several notable practices.

2.1.4.1 Early Document Production

The local patent rules of several districts require parties to produce infringement and/or invalidity-related documents with their initial disclosures or otherwise very early in a case. Several notable examples are the Northern District of Illinois Local Patent Rules 2.1–2.4 (requiring patent plaintiffs to produce invalidity-related documents with their initial disclosures and accused infringers to produce infringement and invalidity documents with their initial disclosures); the Western District of Tennessee Local Patent Rule 3.1 (requiring the party claiming infringement to produce infringement-related documents seven days after the initial response is filed, along with infringement contentions); and the Northern District of Ohio Local Patent Rules 3.1–3.2 (requiring patent plaintiffs to produce invalidity-related documents within fifteen days after the answer is filed). Patent plaintiffs often favor early production requirements but must not let their own early production obligations catch them off guard.

2.1.4.2 Ownership and Standing

A number of jurisdictions require plaintiffs to produce all documents relating to ownership of the asserted patents. *See, e.g.*, N.D. Cal. Patent L.R. 3-2(d); D. Idaho L. Patent R. 3.2(d); N.D. Ill. LPR 2.1(a)(4); D. Nev. LR 16.1-7(d); D.N.H. SPR 5.1(b)(4); D.N.J. L. Pat. R. 3.2(d); N.D.N.Y. L. Pat. R. 3.2(d): N.D. Ohio L. P.R. 3.2(d); W.D. Tenn. LPR 3.2(d). Others frame the obligation more broadly by requiring production of all documents relating to "[t]he standing of the party alleging infringement with respect to each patent upon which such allegations are based." *See* Maryland L.R. 804.1(b)(ii); *see also* S.D. Ohio Pat. R. 103.1(b)(5). More than just ownership documents, this requirement contemplates the production of licensing documents where an exclusive licensee may be bringing suit.

2.1.4.3 Joint Infringement

A majority of districts with local patent rules have provisions governing infringement contentions where joint direct infringement is alleged. Typically, a patentee plaintiff must describe "the role of each such party in the direct infringement." See the local patent rules for the following districts: N.D. Cal. Patent L.R. 3-1(d); D.

Idaho Loc. Patent R. 3.1(d); N.D. Ill. LPR 2.2(e); Maryland L.R. 804.1(a)(iv); E.D. Mo. Local Patent R. 3.1(a)(v); D. Nev. LR 16.1-6(d); D.N.H. SPR 5.1(a)(2)(B); D.N.J. L. Pat. R. 3.1(d); N.D.N.Y. L. Pat. R. 3.1(d); E.D.N.C. L. Civ. R. 303.2(a); N.D. Ohio L. P. R. 3.1(d); S.D. Ohio Pat. R. 103.2(a)(5); W.D. Tenn. LPR 3.1(d); E.D. Wash. LPR 120(d); W.D. Wash. Local Patent Rule 120(d).

2.1.4.4 Winnowing Prior Art References

Just as the assertion of myriad patent claims unduly complicates patent litigation for the defense, the assertion of myriad prior art references, many of which will not be pursued, can impose undue cost on the patentee and the court. In conjunction with its efforts to rein in excessive numbers of asserted patent claims, the Federal Circuit Advisory Council proposed a phased process for winnowing the number of asserted prior art references:

- "Not later than 14 days after service of the Preliminary Election of Asserted Claims, the patent defendant shall serve a Preliminary Election of Asserted Prior Art, which shall assert no more than twelve prior art references against each patent and not more than a total of 40 references."
- "Not later than 14 days after service of a Final Election of Asserted Claims, the patent defendant shall serve a Final Election of Asserted Prior Art, which shall identify no more than six asserted prior art references per patent from among the twelve prior art references previously identified for that particular patent and no more than a total of 20 references."

Model Order Limiting Excess Patent Claims and Prior Art §§ 2, 3 (Fed. Cir. Advisory Council, 2013);[7] *see also* D. Utah LPR 7.1 ("In its final pretrial disclosures, a party opposing infringement shall reduce the number of prior art references—and any combinations thereof—to be asserted in support of anticipation or obviousness theories to a manageable subset of previously identified prior art references. As a general rule, a manageable number of references per claim is no more than three (3) references.").

2.1.4.5 Other Practices

Less common PLR provisions that may be useful case-management tools include:

- Requiring parties to submit summary judgment motions as part of the claim-construction process. D. Utah LPR 6.2.
- Requiring parties to "[p]rovide a written summary of any oral advice and produce or make available for inspection and copying that summary and

7. The model order relaxes these limitations when only one patent is asserted, increasing the per-patent limits "by 50%, rounding up." Model Order Limiting Excess Patent Claims and Prior Art § 4 (Fed. Cir. Advisory Council, 2013) (contained in Appendix D).

documents related thereto for which the attorney–client and work product protection have been waived." S.D. Cal. Patent L.R. 3.7(b).

- Requiring patent owners to make a damages disclosure. S.D. Ind. Patent Case Management Plan III(E) (which requires that plaintiffs must serve a "statement of damages" within 30 days after a *Markman* order).
- Requiring a production of "license agreements for the patents-in-suit." S.D. Tex. P.R. 3-2(a)(4).
- Bifurcation is handled differently by different district courts. In the Southern District of Ohio, willful infringement is always bifurcated. *See* S.D. Ohio Pat. R. 107.2. The Northern District of Georgia expressly disfavors bifurcation of liability issues from damages issues. N.D. Ga. LPR 5.1. Most districts are silent on the issue, but the Western District of North Carolina suggests the parties should consider whether bifurcation is appropriate. W.D.N.C. P.R. 2.1(A)(7).

2.2 Complaint and Answer

Complaints and answers in patent cases are typically deceptively simple. Generally, the asserted patents are identified, and defendants are accused of infringing them. Complaints rarely detail the defendants' allegedly infringing activities and facts about the parties' interrelationships, although often critical to the practical resolution of the case, are not usually included absent allegations of inequitable conduct (which must be pled with particularity).

Nevertheless, a patent complaint may spawn a wide variety of early motion practice, including motions to dismiss relating to lack of standing, lack of actual case or controversy, necessary parties, and interactions with related legal actions. Motions to dismiss for failure to claim patentable subject matter are possible as well. *See In re Bilski,* 545 F.3d 943, 951 (Fed. Cir. 2008), *aff'd,* 561 U.S. 593 (2010); *see also* §§ 6.2.1.1.1, 14.3.1. To comprehend the underpinnings of the disputes that will be raised in these and subsequent motions, it often helps the court to understand the parties' prior dealings and connections, if any. For example, often patent litigants have had a prior business relationship, such as through licensing or licensing discussions. Some courts find it helpful to explore these issues, as well as other business and market considerations, in an early case-management or settlement conference. Further, as the content of the patent infringement complaint is so sparse, it might also be helpful to explore case-specific substantive issues, such as the nature and complexity of the technology, and whether adoption of some variation on the patent local rules will help manage the case. Section 2.5 provides an expanded checklist of potential topics that might usefully be explored at an early conference with the parties.

On December 1, 2015, the U.S. Supreme Court adopted a number of amendments to the Federal Rules of Civil Procedure. Among these is the abolition of Rule 84 and the Appendix of Forms, including Form 18, the form complaint for patent infringement. The pleading standards set forth in *Twombly* and *Iqbal* now govern patent cases. This is discussed in further detail below.

2.2.1 Plaintiff Standing Requirements

The plaintiff may be the patent rights holder suing for infringement, or an accused infringer who challenges liability under the Declaratory Judgment Act, claiming the patent is invalid, unenforceable, and/or not infringed. Every plaintiff must have standing to sue for the case to proceed. Although it is advisable for a court to address standing issues early, they can arise at any time—and cannot be waived, because standing is jurisdictional. *See Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1367–68 (Fed. Cir. 2003).

2.2.1.1 Infringement Plaintiff

2.2.1.1.1 Infringement Plaintiff Must Hold All Substantial Patent Rights

A party suing for infringement must hold exclusive rights to the patent being asserted. A patent issues in the name of the inventor(s) or their assignee (usually an employer), who is then the "patentee." Only a patentee can bring an action for patent infringement. § 281 (2012). The term "patentee" includes "not only the patentee to whom the patent was issued but also the successors in title to the patentee." § 100(d). Courts also permit exclusive licensees to bring suit in their own name, if the exclusive licensee holds "all substantial rights" in the patent, becoming, in effect, an assignee (and therefore a "patentee" within the meaning of § 281). *See Textile Prods., Inc. v. Mead Corp.*, 134 F.3d 1481, 1484 (Fed. Cir. 1998). "All substantial rights" usually include the right to sue for infringement (without leave of the patent owner) and the right to grant licenses; courts look to the intention of the parties and examine the substance of what was retained by the owner and what was granted to the licensee in order to determine whether the licensee has obtained all substantial rights. *See Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 874–75 (Fed. Cir. 1991). Because patent assignments must be in writing, § 261, an oral agreement cannot grant "all substantial rights" in a patent sufficient to confer standing. *See Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1377 (Fed. Cir. 2000).

Another's infringement can still injure an exclusive licensee without all substantial rights. Therefore, they will have standing to sue, but only as a co-plaintiff with the patentee. *See Mentor H/S, Inc. v. Med. Device All., Inc.*, 240 F.3d 1016, 1017, 1019 (Fed. Cir. 2001); *cf. Propat Int'l Corp. v. Rpost US, Inc.*, 473 F.3d 1187 (Fed. Cir. 2007). A license that is not exclusive or that confers less than all the rights held under the patent cannot confer standing. *See Prima Tek II*, 222 F.3d at 1377–78.

2.2.1.1.2 Plaintiff Must Join All Joint Patent Owners

Ordinarily, all co-owners of a patent must consent for an infringement suit to be maintained. Where ownership of a patent is disputed, early motion practice may include an accused infringer's motion to dismiss for failure to join a purported third-party co-owner of the patent. This may happen, for example, when the patent resulted from a joint development project, *see Katz v. Lear Siegler, Inc.*, 909 F.2d 1459,

1462 (Fed. Cir. 1990), or where there is a dispute as to whether the asserted patent claims were included within an assignment agreement. *See Isr. Bio-Eng'g Project v. Amgen Inc.*, 475 F.3d 1256, 1265 (Fed. Cir. 2007).

In such cases, the court must first determine ownership of the patent. "Ownership depends upon 'the substance of what was granted' through assignment." *Id.* at 1265 (quoting *Vaupel Textilmaschinen*, 944 F.2d at 874). "In construing the substance of the assignment, a court must carefully consider the intention of the parties and the language of the grant." *Id.* The agreement must be interpreted according to applicable state law. *See id.* (interpreting contract under Israeli law). If it is determined that an owner of the patent is not included as a plaintiff, the complaint must be dismissed. *Id.* (affirming summary judgment that plaintiff lacked standing where plaintiff lacked complete ownership interest and co-owner was not joined). As described below (§§ 2.2.1.1.6–2.2.1.1.7), such a dismissal should be without prejudice to refile an action with the jurisdictional defect corrected.

In *STC.UNM v. Intel Corp.*, the Federal Circuit reaffirmed the rule that all co-owners of a patent must consent to join as plaintiffs for an infringement suit to proceed. 754 F.3d 940, 945–46 (Fed. Cir. 2014) (citing *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1467 (Fed. Cir. 1998)). Because "one co-owner has the right to impede the other co-owner's ability to sue infringers by refusing to voluntarily join in such a suit," a co-owner cannot ordinarily be joined involuntarily as a plaintiff under Federal Rule of Civil Procedure 19. *Id.* at 946 (quoting *Schering Corp. v. Roussel-UCLAF SA*, 104 F.3d 341, 345 (Fed. Cir. 1997)). The court noted two exceptions to the rule against involuntary joinder: (1) when the plaintiff is an exclusive licensee and seeks to join the patent owner, and (2) when a co-owner has waived the right to refuse to join suit by agreement. *Id.*

2.2.1.1.3 An Exclusive Licensee Must Sometimes Join Its Licensor

Where an asserted exclusive licensee who has less than all substantial rights sues for infringement in its own name, a defendant will frequently move to dismiss for failure to join the licensor as a necessary party. *See, e.g., Propat Int'l*, 473 F.3d at 1189–93; *Fieldturf, Inc. v. Sw. Recreational Indus. Inc.*, 357 F.3d 1266, 1268–70 (Fed. Cir. 2004); *see also Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1339–40 (Fed. Cir. 2001). An exclusive licensee receives more rights in a patent than a nonexclusive licensee, but may receive fewer rights than an assignee of all substantial patent rights. For example, an exclusive licensee could receive the exclusive right to practice an invention within a given limited territory. *Id.* An exclusive licensee has standing to sue, but must join the patent owner as a necessary party. *Id.* at 1348; *Propat,* 473 F.3d at 1193; *Mentor H/S, Inc.*, 240 F.3d at 1019.

If an exclusive licensee with less than all substantial rights has failed to join the patent owner, the action may be dismissed without prejudice, in anticipation of its refiling with the patent owner named as a co-plaintiff. Indeed, the Supreme Court has explained that:

> [t]he owner of a patent, who grants to another the exclusive right to make, use, or vend the invention, which does not constitute a statutory assignment, holds title to the patent in trust for such licensee, to the extent that he *must allow the use of his name as plaintiff in any action brought at the instance of the licensee* in law or in equity to obtain damages for the injury to his exclusive right by an infringer, or to enjoin infringement of it.

Indep. Wireless Tel. Co. v. Radio Corp. of Am., 269 U.S. 459, 469 (1926) (emphasis added). Consequently, rather than dismissing the action, a court may grant a motion or cross-motion by the exclusive licensee for leave to amend to join the patent owner, either voluntarily or involuntarily. *See Intellectual Prop. Dev.*, 248 F.3d at 1347–48 (affirming district court's grant of plaintiff-exclusive licensee's motion for leave to amend to add patent owner as a party); *see also Abbott Labs. v. Diamedix Corp.,* 47 F.3d 1128, 1130–34 (Fed. Cir. 1995).

2.2.1.1.4 A Nonexclusive Licensee Has No Standing to Sue

> [A] nonexclusive license or "bare" license—a covenant by the patent owner not to sue the licensee for making, using, or selling the patented invention and under which the patent owner reserves the right to grant similar licenses to other entities—confers no constitutional standing on the licensee under the Patent Act to bring suit or even to join a suit with the patentee because a nonexclusive (or "bare") licensee suffers no legal injury from infringement.

Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc., 248 F.3d 1333, 1345 (Fed. Cir. 2001).

2.2.1.1.5 Patentee Can Only Convey Right to Sue by Transferring Substantially All Patent Rights

Assignment of a patent, or an exclusive license of a patent that conveys substantially all patent rights, conveys to the assignee or licensee the right to sue for present and future infringement of the patent. *See Propat Int'l*, 473 F.3d at 1189. A patent holder cannot, however, confer through assignment a right to sue for infringement—whether past, present, or future—separate from the conveyance of a proprietary interest in the patent. *Id.* at 1194 (citing *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 34–36 (1923)). As discussed above, to have standing to sue, a party must be an exclusive licensee or assignee of all substantial rights in a patent.

Further, because infringement harms only the owner of the patent at the time of the infringing acts, conveyance of the patent does not normally include the right to recover for injury occurring to the prior owner of the patent. *Minco Inc. v. Combustion Eng'g*, 95 F.3d 1109, 1117 (Fed. Cir. 1996). Thus, as a general rule, "the right to sue for *prior* infringement is not transferred unless the assignment agreement manifests an intent to transfer this right." *Id.* (emphasis added). To determine if patent assignment includes the right to sue for prior infringement, the court should analyze the assignment according to state contract law. *Id.* "Neither statute nor common law

precedent, however, requires a particular formula or set prescription of words to express that conveyance." *Id.*

2.2.1.1.6 A Covenant Not to Sue or Similarly Binding Representations Can Moot a Controversy Between the Parties

A party's issuing a covenant not to sue or making a similarly binding representation such that it could not reasonably be expected to resume its enforcement efforts against a declaratory judgment plaintiff renders the case moot. *See Already, LLC v. Nike, Inc.*, 133 S. Ct. 721, 725 (2013) (trademark case); *Organic Seed Growers & Trade Ass'n v. Monsanto Co.*, 718 F.3d 1350, 1358 (Fed. Cir. 2013) (applying *Nike* to hold that Monsanto's judicially binding representations that it had no intent to enforce its patents against the declaratory judgment appellants mooted the case); *Danisco U.S. Inc. v. Novozymes A/S*, 744 F.3d 1325 (Fed. Cir. 2014) (citing *Nike* and noting that Novozymes had failed to offer "any assurance, such as with a covenant not to sue, that it will not accuse Danisco's [rapid starch liquefaction] products of [patent] infringement, which could potentially moot a controversy between the parties.").

2.2.1.1.7 Dismissal Based on Meritorious Standing Motions

If a case must be dismissed for lack of standing, it should ordinarily be dismissed without prejudice. *See Propat Int'l Corp. v. RPost US, Inc.*, 473 F.3d 1187, 1194 (Fed. Cir. 2007) (affirming district court's dismissal without prejudice even where nonexclusive licensee could not cure a standing defect by joining patent holder). If a plaintiff lacks standing, the court's jurisdiction cannot be invoked, and the plaintiff should not be penalized if it subsequently corrects the standing defect, for example, by joining all co-owners of the patent rights. Nonetheless, where the basis for dismissal cannot be rectified, such as where a covenant not to sue moots the controversy, *see* § 2.2.1.1.6, then the dismissal should be with prejudice.

2.2.1.2 Declaratory Judgment Plaintiff

A district court has subject-matter jurisdiction over a patent declaratory judgment action when an "actual controversy" exists between the plaintiff and defendant. *See* 28 U.S.C. § 2201(a) ("In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought."). Where the patentee files for infringement, the defendant's answer will almost always plead a counterclaim for a declaration of noninfringement, invalidity, and sometimes unenforceability. This apparently superfluous pleading preserves the defendant's right to secure adjudication of claims that a plaintiff may later want to abandon for tactical reasons. For example, a plaintiff may decide to abandon claims in one asserted patent because the defendant raises strong invalidity defenses against that patent. A defendant's de-

claratory judgment counterclaim maintains its ability to adjudicate the patent's validity and avoid being threatened by that patent again. Although a plaintiff cannot avoid declaratory judgment counterclaims by dismissing its affirmative claims on the patent(s), a patentee can divest the district court of subject-matter jurisdiction of declaratory judgment counterclaims by offering the declaratory judgment plaintiff a covenant not to sue on the patent(s). *See Dow Jones & Co., Inc. v. Ablaise Ltd.*, 606 F.3d 1388 (Fed. Cir. 2010); *see also Already, LLC v. Nike, Inc.*, 133 S. Ct. 721 (2013) (upholding the voluntary cessation doctrine).

Timing is key. If a covenant not to sue is given prior to consideration or resolution of the underlying infringement claim, for example, at the outset of the litigation, it may be effective. *See Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1347 (Fed. Cir. 2007). A covenant not to sue will not result in dismissal if given after the resolution of the infringement claims. *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1348 (Fed. Cir. 2005).

Declaratory judgment actions may also arise where the accused infringer (as the plaintiff) disputes the patentee's extrajudicial assertion of infringement and seeks judicial resolution of the issue. These cases typically arise when the patent holder has sent a letter or otherwise given notice suggesting that the potential infringer may want to license the patent. Although patent holders attempt to craft letters with ambiguous language that avoids provoking declaratory judgment jurisdiction, there is no "safe harbor" form of notice. *See, e.g., Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1362 (Fed. Cir. 2009) ("The purpose of a declaratory judgment action cannot be defeated simply by the stratagem of a correspondence that avoids the magic words such as 'litigation' or 'infringement.'"). Frequently, the patent holder will respond to a declaratory judgment action by immediately filing an infringement complaint in another jurisdiction. These disputes will usually be controlled by the "first filed" rule and its exceptions, which aim to prevent forum-shopping. At least one district court has found an infringement lawsuit filed on a U.S. patent in a foreign country (Dubai) sufficient to create subject-matter jurisdiction for a declaratory judgment action in the United States. *See Juniper Networks Inc. v. Bahattab*, 2009 U.S. Dist. LEXIS 129765, No. 07cv1771 (PLF) (AK) (D.D.C. Aug. 14, 2009) (noting that the patent owner's action in Dubai appeared to be a novel, forum-shopping attempt).

The Supreme Court has acknowledged that its precedent "do[es] not draw the brightest of lines between those declaratory judgment actions that satisfy the case-or-controversy requirement and those that do not." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007). The Court explained: "Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Id.* (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). The Supreme Court rejected the "reasonable apprehension of suit" test, holding merely that "the dispute be 'definite and concrete, touching the legal relations having adverse legal interests'; and that it be 'real and substantial' and 'admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the

law would be upon a hypothetical state of facts.'" *Id.* at 132 n.11 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937)) (alteration in original).

Interpreting *MedImmune*, the Federal Circuit held that declaratory judgment jurisdiction exists whenever "a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license." *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007); *see also Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 903 (Fed. Cir. 2008) (applying *Medimmune* and discussing the first-filed rule).

In *Arkema Inc. v. Honeywell International Inc.*, the Federal Circuit addressed the question of how far in advance the "planned activity" could occur to support declaratory judgment jurisdiction. 706 F.3d 1351 (Fed. Cir. 2013). Arkema intended to enter into long-term contracts to supply a product to be used in an alleged infringement. *Id.* at 1359. The commercial launch of the product in the United States was at least one year away, yet the Federal Circuit held that, under all the circumstances, Arkema was "in a *present* position of either committing to contracts that could expose it to liability for indirect infringement or abandoning its plans to supply [products] in the United States." *Id.* at 1359. Thus, the dispute was "of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Id.* at 1360.

Another category of declaratory judgment actions is one in which a supplier files suit against a patentee who has sued (or threatened to sue) the supplier's customers based on the supplier's products or services. *See, e.g.*, Complaint for Declaratory Judgment, *Cisco Sys., Inc. v. Innovative Wireless Sols., LLC*, Case 1:13-cv-00492, 2013 WL 3130645 (W.D. Tex. June 12, 2013). These actions are often accompanied by a request to stay the customer suits in favor of the supplier's suit.

2.2.1.2.1 Defendant's Declaratory Judgment Counterclaims Are Not Mooted by Dismissal of Plaintiff's Infringement Claims

Accused infringers often file counterclaims for a declaratory judgment of invalidity as well as noninfringement. The Supreme Court has held that appellate affirmance of a judgment of noninfringement does not moot a declaratory judgment counterclaim of patent invalidity. *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 98 (1993). In so holding, the Court again emphasized the importance to the public at large of resolving questions of patent validity, citing its opinion in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), and warned against "the danger that the opportunity to relitigate might, as a practical matter, grant monopoly privileges to the holders of invalid patents." *Cardinal Chem.*, 508 U.S. at 101. However, a district court in the exercise of its discretion may decline to resolve a declaratory claim of invalidity following its adjudication of noninfringement. *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 136 (2007) (noting that the Declaratory Judgment Act, which provides that a court "may declare the rights and other legal relations of any interested party," 28 U.S.C. § 2201(a), "has long been understood 'to confer on federal courts unique and substantial discretion

in deciding whether to declare the rights of litigants'" (quoting *Wilton v. Seven Falls Co.*, 515 U.S. 277, 286 (1995)).

2.2.1.2.2 Assignor Is Estopped from Seeking Declaratory Judgment of Invalidity

An inventor who assigns his patent rights to an employer and then leaves to join a competing company may find himself sued for infringement. Under the equitable doctrine of assignor estoppel, the former employee is estopped from raising invalidity as a defense or as the basis of a declaratory judgment claim. *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 424 F.3d 1161, 1166–67 (Fed. Cir. 2005); *Diamond Sci. Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988). The underlying policy is that "an assignor should not be permitted to sell something and later assert that what was sold is worthless, all to the detriment of the assignee." *Pandrol*, 424 F.3d at 1167 (quoting *Diamond*, 848 F.2d at 1224).

The doctrine of assignor estoppel only applies to the defense in a patent infringement lawsuit and is not a separate federal cause of action. In *Semiconductor Energy Laboratory Co. v. Nagata*, the Federal Circuit rejected federal question jurisdiction over a case brought by a patent owner against the patent inventor. 706 F.3d 1365, 1368, 1370 (Fed. Cir. 2013). In an earlier infringement case brought by the patent owner, the inventor agreed to assist one of the defendants, and repudiated his signature on the patent application's declaration and assignment, in alleged violation of an alleged duty not to contend the patent he assigned was invalid or unenforceable. *Id.* at 1370. After the earlier case settled, the patent owner sued the inventor for various state-law causes of action and a declaratory judgment of "violation of federal patent law" premised on the offensive application of the doctrine of assignor estoppel. *Id.* at 1368. The Federal Circuit affirmed the district court's dismissal of the case for lack of federal question jurisdiction, holding that assignor estoppel "is a shield; it is an affirmative defense, not a claim for relief on its own," and that the state-law claims accordingly did not present a substantial question of federal patent law. *Id.* at 1370–71.

2.2.1.2.2.1 Parties in Privity with Assignor Are Also Estopped

Because assignor estoppel is an equitable doctrine "mainly concerned with the balance of the equities between the parties[,] [t]hose in privity with the assignor partake of that balance, hence, extension of the estoppel to those in privity is justified." *Intel Corp. v. U.S. Int'l Trade Comm'n*, 946 F.2d 821, 837 (Fed. Cir. 1991) (quoting *Shamrock Techs., Inc. v. Med. Sterilization, Inc.*, 903 F.2d 789, 793 (Fed. Cir. 1990)). Thus, the assignor's subsequent employer may also be estopped from asserting that the assigned patent is invalid. *Id.*; *Mentor Graphics Corp. v. Quickturn Design Sys.*, 150 F.3d 1374, 1379 (Fed. Cir. 1998) ("Assignor estoppel also prevents parties in privity with an estopped assignor from challenging the validity of the patent.").

In determining whether there is privity, the court should consider all contacts between the assignor and the alleged infringer, both direct and indirect, including

the relationship between those contacts and the alleged infringement. *Intel Corp.*, 946 F.2d at 839.

> Privity, like the doctrine of assignor estoppel itself, is determined upon a balance of the equities. If an inventor assigns his invention to his employer company A and leaves to join company B, whether B is in privity and thus bound by the doctrine will depend on the equities dictated by the relationship between the inventor and company B in light of the act of infringement. The closer that relationship, the more the equities will favor applying the doctrine to company B.

Id. at 839–40 (quoting *Shamrock Techs.*, 903 F.2d at 793); *see also Checkpoint Sys. v. All-Tag Sec. S.A.*, 412 F.3d 1331, 1337 (Fed. Cir. 2005) ("Privity may be established where there is a close relationship among the relevant parties, such as where the ultimate infringer availed itself of the inventor's knowledge and assistance to conduct infringement."). Factors considered by other courts in assessing privity include: (1) the extent and nature of the parties' business relationships (e.g., whether a party challenging validity formed a joint venture with the assignor to manufacture the infringing product or whether a party challenging validity is a subsidiary of the assignor), (2) the financial dealings between the parties, including whether there is an indemnification agreement between the alleged infringer and the assignor, and (3) whether the ultimate infringer availed itself of the inventor's "knowledge and assistance" to conduct infringement. *Id.* (citing cases); *Checkpoint*, 412 F.3d at 1337; *Mentor Graphics*, 150 F.3d at 1379; *Dane Indus. v. Ameritek Indus., LLC,* 154 F. App'x 894 (Fed. Cir. 2005) (unpublished opinion).

2.2.1.2.3 Actual Case or Controversy Can Exist for Licensee in Good Standing Even in Absence of Material Breach

Patent licensees who are performing under their license agreement (e.g., paying royalties) may nevertheless present a controversy with their licensor sufficient to support a declaratory judgment action. This has not always been the case. Historically, courts held that patent licensees in good standing were unable to sue for a declaratory judgment that the licensed patent is invalid because (1) the licensee was not threatened with imminent injury and, therefore, had no standing and (2) no actual case or controversy existed so long as the license agreement was not breached. *See, e.g.*, *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376, 1381 (Fed. Cir. 2004). The Supreme Court reversed this line of cases in 2007, holding that a patent licensee need not break or terminate its license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 136–37 (2007).

2.2.2 Defendant Standing Requirements

2.2.2.1 Infringement Defendants

A patent holder is not obligated to sue all accused infringers. It can select from alleged infringers—both direct and indirect. *See Giese v. Pierce Chem. Co.*, 29 F.

Supp. 2d 33, 40 (D. Mass. 1998) ("Courts have generally held that a patentee need not sue more than one infringer at a given time.") (quoting *Watkins v. Nw. Ohio Tractor Pullers Assn., Inc.*, 630 F.2d 1155, 1162 (6th Cir. 1980)).

While proof of direct infringement is a predicate to proving induced or contributory infringement, *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993) (collecting cases), direct infringers do not have to be joined in a suit against a contributory infringer. *Refac Int'l, Ltd. v. IBM*, 790 F.2d 79, 81 (Fed. Cir. 1986) ("direct infringers need not be parties"); *see also Upjohn Co. v. Syntro Corp.*, 1990 U.S. Dist. LEXIS 11512, 1990 WL 79232 (D. Del. 1990).

2.2.2.1.1 Joinder Issues

Prior to the enactment of the America Invents Act (AIA) on September 16, 2011, Federal Rule of Civil Procedure 20(a)(2) governed the joinder of unrelated defendants in the same patent action. In some cases, the accused products differed drastically from one defendant to another, which could lead to many distinct theories of infringement. These cases commonly proceeded without severance or were consolidated on the theory that judicial resources would be conserved because the asserted patent was common to all the defendants. *See, e.g.*, *MyMail Ltd. v. AOL, Inc.*, 223 F.R.D. 455, 456 (E.D. Tex. 2004) (reasoning that the "same transaction or occurrence" requires only "some connection or logical relationship between the various transactions or occurrences"). Although some issues, such as those relating to patent validity, would be the same for all of the defendants, the complexities in case management and discovery prompted some courts to reconsider this approach. *See Bender v. Exar Corp.*, CV 09-01140 (N.D. Cal. Aug. 3, 2009) (Alsup, J.) (refusing to relate twenty-four patent cases asserting the same patent); *Man Mach. Interface Techs., LLC v. Funai Corp., et al.*, CV 10-8629 (C.D. Cal. Apr. 7, 2011) (Walter, J.) (dismissing a defendant as improperly joined); *Interval Licensing LLC v. AOL, Inc.*, 2011 U.S. Dist. LEXIS 51195, 2011 WL 1655713 (W.D. Wash. Apr. 29, 2011) (holding that joinder was improper because "[p]laintiff has not alleged that the Defendants have engaged in the same transaction or occurrence"). In *In re EMC Corp.* (*In re EMC I*), 677 F.3d 1351, 1356 (Fed. Cir. 2012), the Federal Circuit clarified the law of joinder, holding that joinder is not appropriate merely because defendants face identical infringement claims or where different products or processes are involved. Instead, there must be "shared, overlapping facts that give rise to each cause of action, and not just distinct, albeit coincidentally identical, facts." *Id.* at 1359. "Unless there is an actual link between the facts underlying each claim of infringement, independently developed products using differently sourced parts are not part of the same transaction, even if they are otherwise coincidentally identical." *Id.*

Responding to concerns about joinder practices in patent cases, Congress enacted a special rule narrowing the joinder standards for patent cases in the AIA. Section 299 (a)(1) states that accused infringers may be joined only if

> 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 processes; and (2) questions of fact common to all defendants or counterclaim defendants will arise in the action.

Notably, the AIA specifically states that common infringement of the same patent, without more, is not enough to justify joinder in the same action. *See* § 299(b). The legislative history of the provision indicates that Congress intended to abrogate the interpretation of Federal Rule of Civil Procedure 20(a) adopted in *MyMail v. AOL* by more narrowly defining the parties who are properly joined in the same action for patent infringement. *See* H.R. Rep. 112-98 (2011). Note that § 299(c) provides that accused infringers may consent to joinder. Furthermore, the AIA's joinder rule does not stand in the way of consolidation of pretrial proceedings pursuant to 28 U.S.C. § 1407. *See* § 2.3.4.

Since the AIA joinder provision went into effect, several courts have held that joinder is proper where multiple alleged infringers of the same patent also share the same underlying accused product. *See, e.g.*, *Vertical Comput. Sys., Inc. v. LG Elecs. MobileComm U.S.A., Inc.*, 2013 U.S. Dist. LEXIS 71561, 2013 WL 2241947 (E.D. Tex. May 21, 2013) (finding different defendants' common usage of Google's Android OS satisfied the "actual link" requirement in *In re EMC I*); *Steuben Foods, Inc. v. Oystar Grp.*, 2013 U.S. Dist. LEXIS 187536, 2013 WL 2105894, at *7 (W.D.N.Y. May 14, 2013) (denying motion to sever one defendant and transfer the infringement claims against it to a different forum, where the infringement claims against all the named defendants appeared to be based on the same accused product).

That said, "even if a plaintiff's claims arise out of the same transaction and there are questions of law and fact common to all defendants, district courts have the discretion to refuse joinder in the interest of avoiding prejudice and delay, ensuring judicial economy, or safeguarding principles of fundamental fairness." *In re EMC I*, 677 F.3d at 1360 (quoting *Acevedo v. Allsup's Convenience Stores, Inc.*, 600 F.3d 516, 521 (5th Cir. 2010)). "In a complicated patent litigation a large number of defendants might prove unwieldy, and a district court would be justified in exercising its discretion to deny joinder when different witnesses and documentary proof would be required." *Id.* (citations omitted). Because of § 299, some courts have denied joinder and severed defendants from the case, even where all defendants are accused of infringing the same product. *See Digitech Image Techs., LLC v. Agfaphoto Holding GmbH*, 2012 U.S. Dist. LEXIS 142034, 2012 WL 4513805 (C.D. Cal. Oct. 1, 2012) (severing forty-four defendants from the case because the relief sought did not arise out of the "same transaction" as required by § 299). While the AIA makes it easier for patent infringement defendants to challenge joinder, it has also led to a significant increase in "serially filed" cases that burden courts' dockets.

Even where the AIA's misjoinder provision bars formal joinder, some district courts have effectively consolidated serially filed cases involving the same patent or patents for claim construction. *See* § 5.1.3.8. Such treatment preserves the right of defendants to be tried separately while economizing on judicial and the parties' resources. Nonetheless, courts should be sensitive to the adverse effects on the parties of such effective consolidation of some pretrial issues. *See* § 5.1.3.8 (discussing effects on transfer motions). For example, a plaintiff could file a series of lawsuits timed to avoid having to meet substantive deadlines; when a deadline approaches, a new case

could be filed along with a request to consolidate the cases and reschedule deadlines. This could disadvantage the first defendants in the series relative to the plaintiff and later defendants.

2.2.2.2 Declaratory Judgment Defendants

A declaratory judgment action seeking to invalidate or render unenforceable a patent must name as defendants all parties holding an interest in the patent. However, nonexclusive licensees are generally not thought to be necessary parties. *See In-Tech Mktg. Inc. v. Hasbro, Inc.*, 685 F. Supp. 436, 438–41 (D.N.J. 1988) (holding that a purported exclusive licensee was not a necessary party); *Meese v. Eaton Mfg. Co.*, 35 F.R.D. 162, 166–67 (N.D. Ohio 1964) (stating that, notwithstanding *Independent Wireless*, "[c]ourts have generally agreed that a mere licensee is not indispensable to an infringement suit by the patentholder"); *cf. Indep. Wireless*, 269 U.S. at 466 (describing a licensor and an exclusive licensee as "generally necessary parties in the action in equity"); *Arey v. Goodyear Tire & Rubber Co.*, 11 F.R.D. 209, 209 (N.D. Ohio 1951) (stating that an exclusive licensee was both necessary and indispensable).

2.2.3 Pleading

2.2.3.1 Infringement

Infringement complaints are usually sparse and conclusory. Typically, a patent holder will merely allege that a defendant is directly or indirectly infringing a patent. The asserted patents must be identified, and are often attached to the complaint. Some local rules require that they be attached. The complaint should also provide a statement of ownership of the asserted patent(s), identify the accused infringer(s), provide a brief statement of alleged infringing acts, and (if applicable) a statement regarding the patent owner's marking of a product with the patent number under § 287.

Historically, under the notice pleading requirement of Federal Rule of Civil Procedure 8(a), the patent holder has not been required to do more. Therefore, a defendant would not know which claims of the patents are being asserted against it and sometimes would not even know which of its products or processes are accused of infringing.

Past practices in pleading infringement, exemplified by Form 18, arguably conflict with recent Supreme Court precedent requiring greater specificity in complaints. In *Bell Atlantic Corp. v. Twombly*, an antitrust case, the Court held that "a plaintiff's obligation to provide the 'grounds' of his 'entitle[ment] to relief' requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." 550 U.S. 544, 555 (2007) (internal citations omitted). Even after *Twombly*, however, the Federal Circuit held that "a patentee need only plead facts sufficient to place the alleged infringer on notice as to what he must defend . . . . [A patentee] is not required to specifically include each element of the claims of the asserted patent." *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1357

(Fed. Cir. 2007) (vacating dismissal of *pro se* plaintiff's complaint that conformed to Form 18 (then Form 16)). In 2009, the Supreme Court again addressed Rule 8(a), when it clarified that the holding of *Twombly* was not limited to antitrust cases. The Court held that "[t]o survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Twombly*, 550 U.S. at 555). "Where a complaint pleads facts that are 'merely consistent with' a defendant's liability, it 'stops short of the line between possibility and plausibility of 'entitlement to relief.'" *Id.* (quoting *Twombly*, 550 U.S. at 557).

Despite the Supreme Court's reiteration of heightened pleading standards, the Federal Circuit has so far held to its position that Form 18 controls the pleading requirements for direct patent infringement. *See In re Bill of Lading Transmission & Processing Sys. Patent Litig.,* 681 F.3d 1323 (Fed. Cir. 2012); *see also K-Tech Telecomms., Inc. v. Time Warner Cable, Inc.*, 714 F.3d 1277, 1283 (Fed. Cir. 2013) ("as we made clear in *R+L Carriers*, to the extent any conflict exists between *Twombly* (and its progeny) and the Forms regarding pleadings requirements, the Forms control"). In fact, the Federal Circuit does not even require the complaint to identify a specific accused product as long as it conforms to Form 18 and Rule 8(a). *K-Tech*, 714 F.3d at 1286.

District courts have struggled to reconcile Form 18 and Rule 84 with *Iqbal* and *Twombly*. Some courts have concluded that Form 18 applies only to claims of direct infringement, but that for claims of indirect infringement, more detailed allegations are required, such as the identity of the underlying direct infringer and the facts supporting the knowledge element of indirect infringement. *See, e.g.*, *Elan Microelectronics Corp. v. Apple, Inc.*, 2009 U.S. Dist. LEXIS 83715, 2009 WL 2972374 (N.D. Cal. Sept. 14, 2009) (recognizing that Form 18 provides an example of how direct, but not indirect, patent infringement may be alleged); *Eolas Techs. Inc. v. Adobe Sys. Inc.*, 2010 U.S. Dist. LEXIS 58291, 2010 WL 2026627, at *3 (E.D. Tex. May 6, 2010) ("Form 18 does not expressly address indirect infringement claims, and courts are split on the pleading requirements of indirect infringement."). The Federal Circuit concurs: "In other words, because Form 18 addresses only direct infringement, we must look to Supreme Court precedent for guidance regarding the pleading requirements for claims of indirect infringement." *In re Bill of Lading*, 681 F.3d at 1337.

Aside from willful infringement, *see* § 2.2.3.2, defendants have increasingly challenged the sufficiency of allegations of induced and contributory infringement, particularly with respect to the specific intent requirement of induced infringement. Courts have generally required factual allegations not only of a defendant's knowledge of a plaintiff's patent at the time of the infringement, but also that the defendant knew the use of its product constituted infringement. *See, e.g.*, *Versata Software, Inc. v. Cloud9 Analytics, Inc.*, 2014 U.S. Dist. LEXIS 19994, 2014 WL 631517, at *2 (D. Del. Feb. 18, 2014). However, there is not yet a consensus on whether the filing of the complaint is alone sufficient to satisfy the knowledge requirement of induced infringement. *Compare Bascom Research LLC v. Facebook, Inc.*, 2013 U.S. Dist. LEXIS 41429, 2013 WL 968210, at *4 (N.D. Cal. Mar. 12, 2013)

(filing of the complaint held sufficient to establish defendant's postsuit knowledge for purpose of induced infringement, but that infringement was limited to postfiling conduct) *with Mallinckrodt Inc. v. E-Z-EM Inc.*, 670 F. Supp. 2d 349, 354 (D. Del. 2009) ("The Court is not persuaded by Plaintiffs' contention that the requisite knowledge [for induced infringement claim] can be established by the filing of the Plaintiffs' Complaint.").

Some courts require that pleadings identify which of a defendant's specific products or practices allegedly infringe. *See, e.g.*, *Interval Licensing LLC v. AOL, Inc.*, No. 2010 U.S. Dist. LEXIS 131081, 2010 WL 5058620 (W.D. Wash. Dec. 10, 2010); *Bender v. LG Elecs., U.S.A., Inc.*, 2010 U.S. Dist. LEXIS 33075, 2010 WL 889541 (N.D. Cal. Mar. 11, 2010). In some cases, however, discovery may be necessary to identify how a defendant's product works and whether it infringes. Rule 11(b)(3) allows allegations that "will likely have evidentiary support after a reasonable opportunity for . . . discovery," but at least one district court has held that Rule 11(b)(3) does not affect the pleading standard under Rule 8(a). *Elan*, 2009 WL 2972374, at *3.

Despite Federal Circuit decisions upholding pleadings conforming to Form 18, some district courts continue to challenge the sufficiency of Form 18 and have required the heightened pleading standards set forth by the Supreme Court, even in cases of direct patent infringement. *See Macronix Int'l Co. v. Spansion Inc.*, 4 F. Supp. 3d 797 (E.D. Va. 2014) (holding that patent complaints are subject to the heightened pleading standard set forth in *Twombly* and *Iqbal*); *see also Regeneron Pharm., Inc. v. Merus B.V.*, 2014 U.S. Dist. LEXIS 84297, 2014 WL 2795461 (S.D.N.Y. June 19, 2014) ("This Court finds that the Federal Circuit's determination that *Twombly* is inapplicable to patent cases conflicts with significant Second Circuit precedent applying the principles of *Twombly* at the pleading stage of civil cases. This Court has found no basis in Second Circuit precedent to treat patent cases differently from other cases in which forms exist and to which *Twombly* applies. The principles set forth in *Twombly* apply to the evaluation of pleadings in patent infringement cases in this Circuit. Thus, the sufficiency of Regeneron's claim for patent infringement is assessed pursuant to the basic elements set forth in Form 18 as well as the guidance provided in *Twombly*.").

Other courts disagree with these challenges and question how the Federal Circuit's clear stance on Form 18 can be distinguished. *See JDS Uniphase Corp. v. Jds Adna Photonics, Inc.*, 2014 U.S. Dist. LEXIS 88031, 2014 WL 2918544 (N.D. Cal. June 26, 2014) ("As for *Macronix*, that opinion forcefully disagrees that *Bill of Lading* and *McZeal*, correctly applied the Supreme Court's decisions in *Twombly* and *Iqbal*. This court is unpersuaded by the opinion in *Macronix,* since it provides no argument for how *K-Tech,* which again reinforced the Federal Circuit's understanding of Form 18, can be distinguished. To the extent *K-Tech's* analysis rested on 'the applicable law of the regional circuit,' it was also applying the controlling law of the Ninth Circuit that this court is also bound to apply.") (citations omitted).

On December 1, 2015, the U.S. Supreme Court adopted a number of amendments to the Federal Rules of Civil Procedure. Among these is the abolition of Rule 84 and the Appendix of Forms, including Form 18. As a result, the pleading standards set forth in *Twombly* and *Iqbal* govern patent complaints.

Aside from heightened pleading requirements, some local rules require disclosure of additional information early in the case. *See, e.g.*, N.D. Cal. Patent L.R. 3-1 (requiring early disclosure of asserted claims and accused products). After that early disclosure, the asserted claims and accused products may not be amended without leave of court for good cause. *See* N.D. Cal. Patent L.R. 3-6. A plaintiff's diligence in investigating accused products may demonstrate good cause. *See O2 Micro*, 467 F.3d at 1366; *Abbott Diabetes Care Inc. v. Roche Diagnostics Corp.*, 2007 WL 2221029, 2007 U.S. Dist. LEXIS 59161, at *5–6 (N.D. Cal. July 30, 2007).

Courts also consider procedural matters in assessing good cause, including the impact of amendment on other case deadlines, whether the opponent already had sufficient notice of the added contentions, and whether there is prejudice or whether any prejudice may be mitigated through an award of costs. *Avago Techs. Gen. IP PTE Ltd. v. Elan Microelectronics Corp.*, No. C04-05385 JW (HRL), 2007 WL 1449758, 2007 U.S. Dist. LEXIS 39543, at *4 (N.D. Cal. May 15, 2007) (citing cases); *3COM Corp v. D-Link Sys., Inc.*, No C 03-2177 VRW, 2007 WL 949596, 2007 U.S. Dist. LEXIS 26542, at *21–22 (N.D. Cal. Mar. 27, 2007) (finding good cause where amendment would occur before a *Markman* hearing and before the close of discovery; "[i]t is to be expected that a patent holder may find other product designations that infringe as discovery progresses"). Indeed, a decision on good cause may hinge on the timing of the amendments sought. *Compare Gen. Atomics v. Axis-Shield ASA*, No. C 05-04074 SI, 2006 WL 2329464, 2006 U.S. Dist. LEXIS 58939, at *5–6 (N.D. Cal. Aug. 9, 2006) (finding good cause where party "did not conceive of the infringement theory it seeks to add until the parties exchanged preliminary claim construction statements" and noting that the amendments were sought before claim construction) *with Atmel Corp. v. Info. Storage Devices Inc.*, No. C 95-1987 FMS, 1998 WL 775115, 1998 U.S. Dist. LEXIS 17564, at *5–9 (N.D. Cal. Nov. 5, 1998) (denying leave to amend based on "newly discovered facts" where claim construction was completed and summary judgment briefing had begun).

2.2.3.2 Willful Infringement

Like general infringement, willful infringement need not be pleaded with particularity. Nonetheless, some courts require greater specificity with regard to the advice of counsel defense that is often interposed in response to an allegation of willful infringement.

2.2.3.2.1 Opinions of Counsel

Defendants sometimes rely on opinions of counsel as part of a defense to an allegation of willful infringement—that is, a patent attorney's opinion as to whether the asserted patent is valid and/or infringed by the defendant's products or processes. A defendant need not plead in its answer that it will be relying on an opinion of counsel. However, in the interests of fair and efficient discovery, some courts require election of the advice-of-counsel defense by a specified date along with production of the attorney–client documents for which protection has been waived. *See, e.g.*, N.D. Cal. Patent L.R. 3-7.

2.2.3.2.2 Privilege Issues Relating to Opinions of Counsel

Where a party relies on an opinion of counsel, it waives privilege as to the opinion. *In re EchoStar Commc'ns Corp.*, 448 F.3d 1294, 1299 (Fed. Cir. 2006); *Informatica Corp. v. Bus. Objects Data Integration, Inc.*, No. C 02-3378 JSW, 2006 U.S. Dist. LEXIS 58976, at *5, 2006 WL 2329460 (N.D. Cal. Aug. 9, 2006).

The scope of that waiver is a knotty problem that often becomes the subject of motion practice. The problem is exacerbated when litigation counsel also gave the opinion. *Genentech, Inc. v. Insmed Inc.*, 442 F. Supp. 2d 838, 842–44 (N.D. Cal. 2006). Federal Circuit law is used to analyze the scope of the waiver in these cases. *EchoStar*, 448 F.3d at 1298. Waiver extends not only to opinions on which the party intends to rely but also to all related communications and documents relied on or considered in connection with the opinion. *Id.* at 1304.

The Federal Circuit clarified the scope of privilege waiver in *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). The court found that the "significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel." *Id.* at 1373. The classic "sword and shield" argument does not apply, because of the very different types of legal advice offered by trial counsel (litigation strategy and adversarial representation) and opinion counsel (commercial "due care" taken before undertaking potentially infringing activity).[8] *Id.* at 1372–75. The same rationale applies to the work-product doctrine. *Id.* at 1375–76 (applying *Hickman v. Taylor*, 329 U.S. 495, 510–11 (1947), and *United States v. Nobles*, 422 U.S. 225, 239–40 (1975)).

Although *Seagate* provides courts with substantial guidance, they must continue to be attentive, in summary judgment practice and at trial, to attempts by a party to use evidence it previously argued was outside the scope of the waiver, particularly as the law in this area continues to evolve. The standard for determining willfulness remains the totality of the circumstances. *See Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, No. 04 C 5312, 2008 WL 63233, 2008 U.S. Dist. LEXIS 295 (N.D. Ill. Jan. 3, 2008). Patentees may comment to the jury regarding the defendant's failure to obtain an opinion letter, although there is no adverse inference to be drawn from such evidence. *See Energy Transp. Grp., Inc. v. William Demant Holding A/S*, C.A. No. 05-422 GMS, 2008 U.S. Dist. LEXIS 845, 2008 WL 114861 (D. Del. Jan. 7, 2008) ("[N]othing in *Seagate* forbids a jury to consider whether a defendant obtained advice of counsel as part of the totality of the circumstances in determining willfulness.").

8. The Federal Circuit heavily discounted the value of post-litigation-commencement opinions for this same reason.

2.2.3.3 Defenses

2.2.3.3.1 Invalidity Defenses

Like plaintiff's allegations of infringement, defendant's allegations of invalidity need not be pled with particularity. Defendants typically recite only that the patent is invalid, and may identify sections of the Patent Act, such as §§ 101, 102, 103, or 112. Although this sort of notice pleading has usually been held to satisfy the Federal Rules of Civil Procedure, in practice, it gives little notice to a patent holder about what grounds for invalidity a defendant will actually assert. For this reason, in a few instances, courts have applied *Twombly* and *Iqbal* to strike affirmative defenses and counterclaims for not providing sufficient detail in the pleadings. *See Cleversafe, Inc. v. Amplidata, Inc.* 2011 U.S. Dist. LEXIS 145995, 2011 WL 6379300 (N.D. Ill. Dec. 20, 2011) (dismissing affirmative defense of invalidity and counterclaim); *Groupon, Inc v. MobGob LLC*, 2011 U.S. Dist. LEXIS 56937, 2011 WL 2111986 (N.D. Ill. May 25, 2011) (dismissing counterclaim); *Tyco Fire Prods. LP v. Victaulic Co*., 777 F. Supp. 2d 921 (E.D. Pa. 2011) (dismissing counterclaim but not affirmative defense). *But see Pfizer v. Apotex, Inc.* 726 F. Supp. 921 (N.D. Ill. 2010) (notice of claim sufficient for invalidity counterclaim).

In addition, some district judges require that defendants disclose the specific grounds on which they assert invalidity early in a case, just as they require specific infringement contentions from a patent owner. Courts can require defendants to identify specific prior art references they intend to assert as invalidating and to disclose invalidity claims based on written description, indefiniteness, or enablement. *See, e.g.*, N.D. Cal. Patent L.R. 3-3. Following a specified time period for making these disclosures, they may be amended only upon a showing of good cause. *See* N.D. Cal. Patent L.R. 3-7.

2.2.3.3.2 Unenforceability Defenses

Unenforceability defenses include inequitable conduct, prosecution laches, equitable estoppel, and patent misuse (e.g., using patent rights to force tying agreements or compulsory licensing packages). With the exception of inequitable conduct, unenforceability allegations need not be pled with particularity.

2.2.3.3.2.1 Inequitable Conduct Pled with Particularity

Inequitable conduct is seen as a species of fraud, and must be pled with particularity. Fed. R. Civ. P. 9(b). Inequitable conduct must rest on specific allegations of intentional, material omissions or misrepresentations by the patentee during the application process for a patent—the "who, what, when, where, and how" of the alleged inequitable conduct. *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1327 (Fed. Cir. 2009); *see also Ferguson Beauregard/Logic Controls, Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1344 (Fed. Cir. 2003). The necessary knowledge and intent may be pled generally or on information and belief, but there must be sufficient allegations of underlying facts from which a court could reasonably infer that a specific person had such knowledge and intent. *Exergen*, 575 F.3d at 1328–29. Early in the case, any

order granting dismissal for lack of specificity should be without prejudice. *See Sun Microsystems v. Dataram Corp.*, Civ. No. 96-20708 SW, 1997 WL 50272, 1997 U.S. Dist. LEXIS 4557, at *5–7, 12–14 (N.D. Cal. Feb. 4, 1997). Under recent Federal Circuit precedent, "[t]o prevail on the defense of inequitable conduct, the accused infringer must prove that the applicant misrepresented or omitted material information with the specific intent to deceive the PTO." *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1287 (Fed. Cir. 2011). Furthermore, to prevail under the current standard, the accuser must prove that "but for" the withholding of a reference, the patent would not have issued. *Id.* at 1291.

Because of the particularity requirement, defendants often seek leave to amend or to add inequitable conduct allegations as they are developed during discovery. Assuming the defense is pled with sufficient particularity, such motions should be granted if brought early in the case. *Id.* However, as the case approaches trial, the potential for prejudice to the patentee from late-arising claims increases. *See, e.g.*, *Cent. Admixture Pharm. Servs. v. Advanced Cardiac Sols., P.C.*, 482 F.3d 1347, 1357 (Fed. Cir. 2007).

To forestall unnecessary motion practice on inequitable conduct claims, courts often set a cut-off date for pleading such allegations. Under this approach, prior to that date, a defendant may add inequitable conduct allegations without seeking leave of court. Thereafter, such allegations may only be added upon a showing of good cause for delay. A typical time frame for cut-off is when fact discovery is approximately 60% complete (e.g., if fact discovery is scheduled for a five-month period, the cut-off date for asserting inequitable conduct would be at three months).

2.2.3.3.2.2 Privilege Issues Relating to Unenforceability

Unenforceability allegations typically relate to the prosecution of the patent (inequitable conduct and prosecution laches) or to decisions relating to misuse of the patent, such as conditioning a license agreement on the requirement to buy non-patented products (i.e., improper tying schemes). These issues typically involve attorney–client communications and may also involve attorney work product. As a result, discovery may generate disputes over privilege. Attorney–client privilege doctrine applies in these matters as it applies generally. Therefore, absent a showing under the crime-fraud exception doctrine, *In re Rhone-Poulenc Rorer*, 48 U.S.P.Q.2D (BNA) 1823, 1998 U.S. App. LEXIS 12829 (Fed. Cir. 1998), the privilege may be asserted, even where it appears to obstruct fact gathering critical to prosecuting an unenforceability claim. *Id.*

2.2.4 Counterclaims

The defendant typically asserts an array of counterclaims. In nearly every case, it seeks a declaratory judgment that the asserted patents are not infringed, invalid, and/or unenforceable. The defendant may also assert infringement of its own patents in a counterclaim.

2.2.4.1 Compulsory Counterclaims

Under Federal Rule of Civil Procedure 13(a), a counterclaim is compulsory if it arises out of the same transaction or occurrence as the opposing party's claim. Unsurprisingly, a counterclaim for infringement is compulsory in an action for declaration of noninfringement. *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 802 (Fed. Cir. 1999). Similarly, counterclaims for declaratory judgment of noninfringement or invalidity are compulsory with respect to a claim of infringement.

2.2.4.2 Noncompulsory Counterclaims

In the most common noncompulsory counterclaim in a patent suit, the defendant/accused infringer alleges infringement of defendant's patent(s) by the plaintiff. Other arguably noncompulsory counterclaims may include antitrust claims, *Walker Process* claims (that the patentee asserts a fraudulently procured patent), *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.,* 382 U.S. 172 (1965), or *Handgards* claims (that the patentee seeks to enforce a patent it knows to be invalid or not infringed), *Handgards, Inc. v. Ethicon, Inc.,* 601 F.2d 986 (9th Cir. 1979). *See Tank Insulation Int'l, Inc. v. Insultherm, Inc.*, 104 F.3d 83 (5th Cir. 1997); *Hydranautics v. FilmTec Corp.*, 70 F.3d 533, 536–37 (9th Cir. 1995). Some courts have held that antitrust claims based on allegations of patent invalidity are compulsory, rather than permissive. *See Critical-Vac Filtration Corp. v. Minuteman Int'l, Inc.*, 233 F.3d 697, 702 (2d Cir. 2000). The Federal Circuit has observed the split of authority but has not resolved it. *See Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067 n.4 (Fed. Cir. 1998).

2.2.5 Potential Overlap with Nonpatent Claims; Choice of Law

Patent complaints may overlap with other forms of federal intellectual property claims (e.g., copyright, trademark), antitrust and sham litigation claims, and state-law claims such as unfair competition, trade secret misappropriation, or breach of a patent license agreement. Federal Circuit law governs issues within its "exclusive jurisdiction" (i.e., patent law issues). *See, e.g.*, *Advanced Cardiovascular Sys. v. Medtronic, Inc.*, 265 F.3d 1294, 1303 (Fed. Cir. 2001) (holding that the Federal Circuit will apply its "own law to both substantive and procedural issues intimately involved in the substance of enforcement of the patent right.") (quotation omitted). The law of the regional circuit in which the district court sits governs issues outside of the Federal Circuit's exclusive jurisdiction. *Id.*

The question of whether federal patent law preempts other federal or state-law claims is decided based on Federal Circuit law, not regional circuit law. *See Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1360–61 (Fed. Cir. 1999). *But see Gunn v. Minton*, 133 S. Ct. 1059 (2013) (applying *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*, 545 U.S. 308, 314 (2005) to conclude "that state legal malprac-

tice claims based on underlying patent matters will rarely, if ever, arise under federal patent law for purposes of 28 U.S.C. § 1338(a)").

2.2.6 Interaction with Other Types of Actions

2.2.6.1 Bankruptcy

Typically, when a debtor begins bankruptcy proceedings, all pending actions against the debtor, including actions in federal district courts, are stayed. Section 362(a)(3) of the Bankruptcy Code provides that a petition "operates as a stay, applicable to all entities of . . . any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate." The stay applies to pending patent litigation against a debtor, but not to claims by the debtor. *See Seiko Epson Corp. v. Nu-Kote Int'l, Inc.*, 190 F.3d 1360, 1364 (Fed. Cir. 1999). Such claims may proceed (e.g., if the debtor is the accused infringer, the debtor's counterclaims for patent invalidity may proceed). *See id.* Likewise, the automatic stay does not apply to non-bankrupt codefendants of a debtor. *Id.*; *but see In re Excel Innovations, Inc.*, 502 F.3d 1086, 1093–94, n.1 (9th Cir. 2007) (holding that on motion by debtor, bankruptcy court may enjoin ongoing proceedings against non-debtor; in most circuits, standard analysis for granting preliminary injunctive relief applies; some circuits do not require showing of irreparable harm). The district court may stay the entire case once the bankruptcy court automatically stays the claims against the debtor. Alternatively, it may proceed with those aspects of the case that are not subject to the automatic stay.

A party may petition the bankruptcy court for partial or full relief from the stay. *See Outlast Techs., Inc. v. Frisby Techs., Inc.*, 298 F. Supp. 2d 1112, 1113–14 (D. Colo. 2004) (modifying stay order to allow summary judgment motions already filed in the district court to be decided). If a district court believes that such relief is appropriate, for example because trial has commenced or a decision on summary judgment is pending, it may suggest such a motion for relief in its order staying proceedings in response to the bankruptcy court's automatic stay notice.

The bankruptcy court's disposition of the debtor's bankruptcy does not give the debtor a license to commit postpetition infringement. "A discharge in bankruptcy operates as an injunction against a plaintiff asserting a claim for a debt incurred, or a cause of action that arose, before the date of bankruptcy discharge. It does not act as an injunction against a plaintiff asserting a claim for a debt incurred, or a cause of action that arose, after the date of bankruptcy discharge." *Hazelquist*, 437 F.3d at 1180. Therefore, if an accused infringer continues infringement after discharge of debts in bankruptcy court, it is subject to renewed patent litigation in federal district court. *Id.*

2.2.6.2 International Trade Commission Actions

In parallel with the district courts, the United States International Trade Commission (ITC) provides a forum for domestic industries to seek exclusion of goods

that violate U.S. intellectual property rights. The ITC is an independent agency that, among other things, directs actions against unfair trade practices. Under § 337 of the Tariff Act of 1930, the ITC investigates complaints by domestic industries that goods imported into the United States violate U.S. intellectual property rights or through other methods of unfair competition. Thus, ITC investigations enable intellectual property owners that operate in domestic industries to enforce U.S. patent rights against infringing imports.

The ITC experienced a significant increase in patent enforcement actions after the Supreme Court's ruling in *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), owing to the greater availability of injunctive-type relief and rapid adjudication relative to district court proceedings. The ITC is not bound by *eBay*, which made injunctive relief less available in district court actions. *See Spansion, Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331, 1359 (Fed. Cir. 2010) (holding the ITC "is not required to apply the traditional four-factor test for injunctive relief"). Where an ITC proceeding finds patent infringement, the ITC generally issues exclusion orders barring importation of the infringing articles into the United States. With regard to adjudication speed, the Trade Act directs the ITC to resolve cases "at the earliest practicable time," which generally translates into an eighteen-month process after commencement of the investigation. *See* Uruguay Round Amendments Act of 1994, Pub. L. 103-465, § 321, 103d Cong., 2d Sess., 108 Stat. 4809 (1994); Trade Act of 1974, Pub. L. No. 93-618, § 341, 88 Stat. 1978, 2053 (1975) (amending § 337(b) of the Tariff Act of 1930).

Patent holders often seek relief from the ITC and U.S. district courts simultaneously. This raises several case-management issues for district courts. We focus here on the granting of stays pending resolution of the ITC action and the effect of the ITC action on the district court's resolution of patent issues.

2.2.6.2.1 Stays Relating to Parallel ITC Proceedings

Under 28 U.S.C. § 1659(a), parties to a civil action that are also respondents in a parallel proceeding before the ITC can move for a stay of the district court proceedings as a matter of right:

> (a) Stay. — In a civil action involving parties that are also parties to a proceeding before the United States International Trade Commission under section 337 of the Tariff Act of 1930, at the request of a party to the civil action that is also a respondent in the proceeding before the Commission, the district court shall stay, until the determination of the Commission becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission, but only if such request is made within — (1) 30 days after the party is named as a respondent in the proceeding before the Commission, or (2) 30 days after the district court action is filed, whichever is later.

Id.; *see In re Princo Corp.*, 478 F.3d 1345, 1355 (Fed. Cir. 2007).

As noted in the statute, the stay remains in effect until the determination of the ITC becomes final. After the dissolution of the stay, § 1659(b) allows the parties to use the ITC investigation record in the district court proceeding.

> (b) Use of Commission Record. — Notwithstanding section 337(n)(1) of the Tariff Act of 1930, after dissolution of a stay under subsection (a), the record of the proceeding before the United States International Trade Commission shall be transmitted to the district court and shall be admissible in the civil action, subject to such protective order as the district court determines necessary, to the extent permitted under the Federal Rules of Evidence and the Federal Rules of Civil Procedure.

Id.

Although the stay provided for in § 1659(a) is mandatory, it only applies to "any claim that involves the same issues involved in the proceeding before the Commission." Usually this is interpreted as applying only to the patents that the ITC and judicial proceedings have in common. In cases involving additional patents not at issue in an ITC proceeding, courts are often asked to stay the entire proceeding. In deciding whether to grant such a stay, the district court will typically balance several factors. For example, in *FormFactor, Inc. v. Micronics Japan Co., Ltd.*, the district court granted a motion to stay pursuant to § 1659(a) only after considering "(1) possible damage which may result from the granting of a stay; (2) the hardship or inequity which a party may suffer in being required to go forward; and (3) the orderly course of justice measured in terms of the simplifying or complicating of issues, proof, and questions of law which could be expected to result from a stay." 2008 U.S. Dist. LEXIS 13114, 2008 WL 361128 (N.D. Cal. 2008). Only two of the four patents under consideration in the district court were at issue in the ITC proceeding. Nonetheless, the court ruled that the two remaining patents shared subject matter and common inventors with the patents at issue in the ITC proceeding, and therefore a stay of the action was warranted to avoid duplicative efforts in discovery. Similarly, the court in *ILJIN U.S.A. v. NTN Corp.* found that numerous factors weighed in favor of granting a stay, including the following:

> (1) the ITC claim was filed before the district court complaint;
>
> (2) the proceedings were more advanced in the ITC case than in the district court;
>
> (3) there had not been substantial discovery in the case;
>
> (4) indisputably, it would conserve judicial resources to allow the ITC investigation to at least narrow the issues before the district court case proceeded, with the added benefit of potentially avoiding conflicting decisions;
>
> (5) the ITC is more experienced in deciding patent disputes than the district court; and
>
> (6) the complainant did not present any persuasive reason why a stay should not issue.

2006 U.S. Dist. LEXIS 15389, 2006 WL 568351 (E.D. Mich. 2006).

A district court must also decide whether to stay its proceedings as to all of the claims at issue, even if only a portion of those claims are involved in a § 337 investigation. For example, in *Micron Technology, Inc. v. Mosel Vitelic Corp.*, the defendants moved to stay the district court proceedings for all the claims that were not at issue before the ITC. 1999 U.S. Dist. LEXIS 4792, 1999 WL 458168 (D. Idaho 1999). The defendants argued that because of the substantial overlap of legal and factual issues, a stay of all the claims, including those not at issue before the ITC, "would enhance judicial economy" as well as "provide the Court with the benefit of the find-

ings, conclusions and views of the ITC." *Id*. at *4. Moreover, the defendants insisted that while they would be prejudiced by litigating in multiple forums, the plaintiff would not be prejudiced by a stay because it will obtain a timely resolution of the claims before the ITC. *Id*. Yet in denying the motion, the court concluded that the defendants failed to establish that a stay of the instant proceedings was "necessary to prevent undue hardship or injustice." *Id*. at *5. The court further noted that a party moving for a stay "must make out a clear case of hardship or inequity in being required to go forward, if there is even a fair possibility that the stay for which he prays will work damage to someone else." *Id*. at *4 (quoting *Landis v. N. Am. Co*., 299 U.S. 248, 255 (1936)). In sum, the *Micron* court denied the motion to stay and ordered discovery with respect to the claims not before the ITC. *Id*. at *5.

In contrast, the court in *Alloc, Inc. v. Unilin Decor, N.V*. took the alternative approach and entered a stay for all the claims. 2003 U.S. Dist. LEXIS 11917, 2003 WL 21640372 (D. Del. 2003). The court noted that "even though the '579 patent does not contain precisely the same claims of the other patents that are under review or reexamination, there is a sufficient correlation among all of the patents for the court to conclude that a stay is appropriate." In this case, although the '579 patent was not part of the ITC proceeding, it claimed priority to and shared a specification with an earlier '621 patent that was part of the ITC proceeding. *Id*. at *1. In issuing the stay, the court noted that it "would benefit from a narrowing of the numerous complex issues relating to the claims." *Id*. at *2. Moreover, the court noted that discovery had not yet begun, nor had a trial date been set. *Id*. at *3. Indeed, neither party had incurred substantial, litigation-related expenses. *Id.*

Thus despite the statutory mandate of 28 U.S.C. § 1659(a), a respondent may still be required to make out a clear case of hardship or inequity before a stay will be entered. Where the patent before the district court is related to a patent before the ITC, however, a court might enter a stay to narrow complex issues and avoid duplicative discovery.

2.2.6.2.2 Effect of ITC Rulings on District Court Proceedings

The general intellectual property jurisdiction statute, 28 U.S.C. § 1338 grants federal courts original and exclusive jurisdiction of civil actions "arising under any Act of Congress relating to patents." As a result, ITC patent determinations—such as claim construction, validity, infringement, and defenses—do not have preclusive effect in subsequent district court litigation. *See Tex. Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568–69 (Fed. Cir. 1996); *but cf. Balt. Luggage Co. v. Samsonite Corp.*, 977 F.2d 571 (4th Cir. 1992) (affording preclusive effect to affirmative defenses raised during ITC investigation because the party raising the defense had a full and fair opportunity to litigate the defense before the ITC); *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42 (2d Cir. 1985) (holding that ITC *trademark* determinations have res judicata effect on subsequent federal court proceedings). Nonetheless, district courts can and do consider ITC rulings in assessing cases. *See, e.g.*, *Glasstech Inc. v. AB Kyro O.Y.*, 635 F. Supp. 465, 468 (N.D. Ohio 1986); *Mentor Graphics Corp. v. Quickturn Design Sys.*, 999 F. Supp. 1388, 1393 (D. Or. 1997).

2.2.6.3 Parallel District Court Proceedings

It is not uncommon for patent holders to pursue infringement actions involving the same patent in different jurisdictions at the same time as a result of jurisdiction and venue considerations. Furthermore, co-pending litigations relating to the same patent can occur when companies under threat of patent enforcement pursue declaratory judgment of invalidity, noninfringement, or unenforceability in a jurisdiction other than where a patent holder is seeking to enforce the patent against other entities. The AIA will likely increase the likelihood of such proceedings by limiting joinder of unrelated defendants in patent cases. *See* § 2.2.2.1.1.

The co-pendency of litigation involving the same patent can result in duplicative expenditure of judicial resources and impose unnecessary burdens on parties. Litigants have several tools for addressing these concerns: (1) transfer of venue, addressed in § 2.3.3.1; (2) coordination of litigation across districts through provisions governing multidistrict litigation, addressed in § 2.3.4; and/or (3) requests to stay one or more proceedings pending resolution of common issues, particularly patent validity. The standards for stays parallel those for transfer of venue. Although the specific standards differ slightly among circuits, courts typically consider the following factors in evaluating a motion to stay: (1) whether a stay would cause undue prejudice to the nonmoving party; (2) whether a stay will simplify the issues for trial; and (3) whether discovery is complete and a trial date is set.

The public policy favoring expeditious resolution of disputes is of particular weight when dealing with wasting assets such as patents. *See Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990). Nonetheless, when two actions involving nearly identical parties and closely related patent infringement questions are filed in separate districts, the general rule is that the case first filed takes priority. The subsequently filed suit should be dismissed, transferred, or stayed. *See Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180 (1952); *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931 (Fed. Cir. 1993); *see generally* 14D Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure § 3823 (3d ed. 1998). The first-to-file presumption applies to declaratory judgments as well. *See Wilton v. Seven Falls Co.*, 515 U.S. 277, 289 (1995) ("As a general rule, a first-filed declaratory judgment suit will be entitled to precedence over a later-filed patent infringement action."); *Sanofi-Aventis Deutschland GmbH v. Novo Nordisk, Inc.*, 614 F. Supp. 2d 772, 774 (E.D. Tex. 2009); *but cf. Uniroyal Engineered Prods., LLC v. Omnova Sols. Inc.*, 2009 U.S. Dist. LEXIS 22518, 2009 WL 736700, *1 (W.D. Wis. 2009) ("In general, when a declaratory judgment action and a patent infringement action are filed within days of each other, it is more appropriate to consider the convenience factors of 28 U.S.C. § 1404(a) rather than applying the rigid rule that the first-filed action trumps the later-filed action.").

The first-to-file rule "is a doctrine of federal comity, intended to avoid conflicting decisions and promote judicial efficiency, that generally favors pursuing only the first-filed action when multiple lawsuits involving the same claims are filed in different jurisdictions." *Merial Ltd. v. Cipla Ltd.*, 681 F.3d 1283, 1299 (Fed. Cir. 2012). "When two actions that sufficiently overlap are filed in different federal district courts, one for infringement and the other for declaratory relief, the declaratory

judgment action, if filed later, generally is to be stayed, dismissed, or transferred to the forum of the infringement action." *Futurewei Techs., Inc. v. Acacia Research Corp.*, 737 F.3d 704, 708 (Fed. Cir. 2013). The first-to-file rule, however, "is not rigidly or mechanically applied—an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts." *Merial*, 681 F.3d at 1299. Exceptions may be made if justified by "considerations of judicial and litigant economy, and the just and effective disposition of disputes." *Futurewei*, 737 F.3d at 708. Resolution of whether the second-filed action should proceed presents a question sufficiently tied to patent law that the question is governed by the law of the Federal Circuit. *Id.* Although the forum of the first-filed action is favored, exceptions "are not rare, and are made when justice or expediency requires[.]" *Genetech v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993) (citing *Kahn v. Gen. Motors Corp.*, 889 F.2d 1078, 1081–83 (Fed. Cir. 1989)) (discussing the general rule, the "customer suit" exception, and other factors that overcome "the presumptive right of the first litigant to choose the forum). In weighing venue transfer or stay motions, courts have looked to:

- the status of the co-pending case, *Elite Licensing, Inc. v. Thomas Plastics, Inc.*, 2003 U.S. Dist. LEXIS 2439, 2003 WL 473669 (S.D.N.Y. 2003) (where the first-filed case was dismissed for improper venue); *Schnadig Corp. v. Collezione Europa U.S.A.*, 2001 U.S. Dist. LEXIS 9208, 2001 WL 766898 (N.D. Ill. July 3, 2001) (where the co-pending case is likely to be dismissed);
- harm caused by delaying the stayed issues, *see Kahn v. Gen. Motors Corp.*, 889 F.2d 1078, 1082–83 (Fed. Cir. 1989);
- whether the other forum lacks jurisdiction over all necessary or desirable parties;
- the possibility of consolidation, *see SAES Getters S.p.A. v. Aeronex, Inc.*, 219 F. Supp. 2d 1081, 1092 (S.D. Cal. 2002) (emphasizing the importance that related patents are construed consistently);
- convenience of the parties; and
- judicial economy, *see Serco Servs. Co., L.P. v. Kelley Co., Inc.*, 51 F.3d 1037, 1040 (Fed. Cir. 1995).

Nonetheless, that the first-filed claim anticipated the later-filed claim is not, without more, a sufficient ground to rebut the first-to-file presumption, *see Elecs. for Imaging, Inc. v. Coyle*, 394 F.3d 1341, 1347–48 (Fed. Cir. 2005), but it can be a factor in the broader balance governing whether to apply the first-to-file rule. *Serco Servs.*, 51 F.3d at 1040.

Stays of co-pending patent litigation involving different parties have been most commonly granted in "customer suit" situations. As the name implies, such litigation arises when the patent holder is engaged in one litigation against a provider of the accused technology and separate litigation against the purchaser of the accused technology. Based on language in *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990); *see also Codex Corp. v. Milgo Elec. Corp.*, 553 F.2d 735, 737–38 (1st Cir. 1977) (preference for a manufacturer's declaratory judgment action because the manufacturer is the true defendant), courts in some circumstances have stayed pa-

tent litigation against such customers pending the outcome of the supplier suit, principally, as in *Katz*, where resolution of liability with respect to the supplier will resolve liability with respect to the customer. Cases involving the same patent and same parties (e.g., a declaratory judgment action brought by the accused infringer and a patent infringement action brought by the patent holder) are typically resolved by the first-to-file rule: the earlier-filed case takes precedence, and the later-filed case is transferred, stayed, or dismissed.

Given the above-referenced proliferation of co-pending litigations involving the same patent, it seems likely that courts will increasingly be asked to decide whether some of those suits should be stayed. At least some such motions will be filed at the outset of the case, before any discovery occurs. Because the stay factors balance the specific benefits to be gained from the stay with the specific prejudice that is likely to be suffered by the nonmovant, as well as the stage of the litigation, the merits of such motions are fact-intensive and can vary substantially from case to case. That said, such motions raise several issues for courts to consider. First, because the plaintiff often files all, or many, of the co-pending litigations on the same day, it may be difficult or impossible for a court to identify a case or cases that naturally take precedence over others. Indeed, even if the various defendants agree that some cases should be stayed pending resolution of others, it is very likely that the defendants will disagree about whose case should proceed first. Thus, a California court may be asked to stay a case pending resolution of a Delaware case, while the Delaware court is asked to stay that same Delaware case pending resolution of the same California case. As a practical matter, many courts are likely to avoid wading into those murky waters.

Moreover, even where one case or a group of cases clearly takes precedence (e.g., first-filed), if the subsequent cases were filed soon after the case deemed to have precedence, the patent holder will likely argue that the stay will be prejudicial and that the possibility of case-narrowing is illusory—indeed, it may require the patent holder's claims against some defendants to sit for years while other litigation is resolved. In addition, the possibility that the case(s) deemed to have precedence will not actually resolve issues that narrow the case sought to be stayed (because of settlement, because the patent holder prevails, or otherwise) and that, even when the same patent claims are asserted, the claim-construction and invalidity issues may differ substantially (e.g., because the patent holder's infringement allegations against the various defendants differ) are also likely to be considered. For these reasons, where the request to stay is filed at the outset of the case, most courts will consider other options, such as MDL, to achieve efficiency, or elect to proceed with the case normally. Of course, the stage of the case deemed to have precedence can alter this analysis substantially—if, for example, a request seeks to stay a case in its infancy to await resolution of a case that is on the eve of a trial at which invalidity is at issue, the factors may weigh strongly toward stay; likewise, if the case deemed to have precedence is pending in a venue with a short time-to-trial, that may also weigh strongly in favor of a stay. Because of the nature of the stay factors, relevant considerations can vary widely. Courts should evaluate such motions carefully on a case-by-case basis.

2.2.6.4 PTO Review Proceedings—Reexamination, Reissue, and AIA Review

The Patent Office has long provided various forms of administrative review of patent validity and scope. Minor mistakes in a patent, such as typographical errors and misnamed or omitted inventors, can be corrected through a certificate of correction. *See* §§ 254–256. Since 1836, the Patent Act has provided for reissuance of defective patents. Under the 1952 Act, patentees can seek broadening reissues within a two-year window following issuance and can narrow patent claims at any time during the patent's duration. *See* §§ 251–252. Since 1981, the Patent Office has authorized any person—whether the patent owner, an accused infringer, or a third party—to seek ex parte reexamination of patents. *See* §§ 301–307. In 1999, Congress sought to bolster reexamination by establishing an inter partes option that allowed third-party requesters to participate in the reexamination process.

These procedures, however, had little effect on the vast majority of patent cases until recently. Correction and reissue processes typically took place before or outside of patent litigation. Because requesters are not permitted to participate in ex parte reexamination once granted, relatively few parties considered it worth pursuing unless they had an ironclad invalidity case. Their concern was that, if the attempt failed, the reexamination certificate would reinforce or "gold-plate" the patent's validity to a jury. Even with the establishment of inter partes reexamination, potential challengers worried about long delays, a perceived pro-patentee tilt, and severe estoppel effects on district court challenges.

The AIA's institution of three new review processes—inter partes review (IPR), covered business method review (CBMR), and postgrant review (PGR)—in 2011 has invigorated patent validity proceedings at the Patent Trial and Appeal Board (PTAB). The AIA mandates that these reviews proceed expeditiously in a streamlined process. As a result, a significantly higher percentage of defendants seek administrative review of patents asserted against them. The USPTO has hired more than 200 administrative patent judges (APJs) to review petitions. They sit in three-APJ panels to resolve validity challenges.

Recent Federal Circuit decisions regarding the effect of USPTO procedures on litigation are expected to increase their attractiveness to alleged infringers. In *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, the court held that the cancelation of the asserted patent claims in a reexamination vitiated a judgment of infringement that had been stayed pending appeal. 721 F.3d 1330, 1332 (Fed. Cir. 2013). The decision rested on a holding that the judgment was not actually final, despite having been labeled as such. *Id.* at 1341–42, 1344. In *ePlus v. Lawson Software*, the Federal Circuit dissolved an injunction and contempt order that had been entered against an adjudged infringer because reexamination had canceled the patent claim on which they were based. 760 F.3d 1350, 1352 (Fed. Cir. 2014). It bears noting that in both *Fresenius* and *ePlus*, the Federal Circuit had earlier affirmed the USPTO's decision to cancel the claim in a separate appellate proceeding. Because defendants believe these cases give them "two bites at the apple" to show invalidity, district courts can expect parallel postgrant reviews and inter partes reviews to become common.

2.2.6.4.1 Stays Pending Review or Reexamination

Patent Office processes principally affect patent case management through stays pending Patent Office review. Stay requests were less common, and even less often granted, in the pre-AIA era. District courts were reluctant to trust the Patent Office to expeditiously reexamine patents. The situation could not be more different today. A high and growing percentage of patents in litigation are pursued in parallel at the PTAB and courts are far more inclined to stay litigation pending PTAB review.

District courts have wide discretion to stay litigation pending reexamination or reissue. *See Viskase Corp. v. Am. Nat'l Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001) (citing *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985)).[9] "In determining whether to grant a stay, courts routinely considered three factors: (1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set." *Magna Donnelly Corp. v. Pilkington N. Am., Inc.*, 2007 U.S. Dist. LEXIS 17536, at *6, 2007 WL 772891 (W.D. Mich. Mar. 12, 2007); *Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. C 03-1431 SBA, 2007 U.S. Dist. LEXIS 44107, 2007 WL 1655625 (N.D. Cal. June 6, 2007); *see also MercExchange*, 500 F. Supp. 2d at 563 (courts consider the stage of discovery, whether a trial date has been set, and whether a stay will unduly prejudice the nonmoving party). Stays are less appropriate when the USPTO proceedings are initiated late in the litigation. *See, e.g.*, *IMAX Corp. v. In-Three, Inc.*, 385 F. Supp. 2d 1030, 1033–34 (C.D. Cal. 2005); *Gladish v. Tyco Toys*, No. S-92-1666 WBS, 1993 U.S. Dist. LEXIS 20211, at *6–8, 1993 WL 625509 (E.D. Cal. 1993).

Notwithstanding the potential benefits of staying litigation to receive the Patent Office's expertise in examining validity in reexamination, district courts were often skeptical that reexamination proceedings would conclude in a timely and effective manner. Patent Office statistics confirmed this perception. Concerns with both the slow processing of reexamination proceedings as well as the high costs of district court litigation led Congress to expand and expedite Patent Office review proceedings in the AIA. Beginning September 15, 2012, the AIA replaced inter partes reexamination with inter partes review (IPR), with a mandate that the Patent Office decide whether to institute an IPR petition within six months of the filing of a petition and render a decision within one year of institution. *See generally* § 14.2.5.6. The AIA also added a broader review for covered business methods (CBMR) and instituted a postgrant review (PGR) process to be undertaken during the first nine months after a patent issues. It also consolidated and expanded administrative resources within the Patent Trial and Appeal Board (PTAB).

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9. A district court's discretion to stay proceedings does not, however, empower the court to direct that a party file a reexamination or reissue in the PTO, nor does it empower the court to place conditions on the stay that exceed its inherent power to manage its docket. *Emerson Elec. Co. v. Davoil, Inc.*, 88 F.3d 1051, 1053–54 (Fed. Cir. 1996) (reversing stay conditioned on party's agreement to submit to the PTO documents prepared by the patent litigation defendant).

The newly implemented PTAB review processes have effected a sea change in patent enforcement, review, and case management. The relatively low cost and swift processing of IPRs and CBMs in conjunction with both high review institution and invalidation rates have caused a veritable stampede by alleged infringers, potential defendants, and some nongovernmental organizations to the PTAB. From September 15, 2012, the effective date for IPR and CBMR proceedings, through March 15, 2015, parties have filed over 3,000 petitions—more than 2,700 IPRs and 300 CBMRs. *See* USPTO, AIA Progress (Apr. 9, 2015), http://www.uspto.gov/sites/default/files/documents/040915_aia_stat_graph.pdf. The PTAB has instituted review in approximately 80% of the petitions. As of April 2015, approximately one-third of the petitions have been terminated by settlement or decision. As of January 15, 2015, approximately 36% of claims for which IPR was instituted were found unpatentable. *See* USPTO, *Inter Partes* Review Petitions Terminated to Date (Jan. 15, 2015) http://www.uspto.gov/sites/default/files/documents/inter_partes_review_petitions_terminated_to_date%2001%2015%202015.pdf.

As a result, motions to stay litigation pending resolution of the IPR proceedings as well grant rates for litigation stays have risen sharply. District courts stayed litigation pending IPR in approximately 75% of cases through December 9, 2014. *See* Scott A. McKeown, *District Courts Increasingly Await PTAB Decision*, Patents Post-Grant Blog (Dec. 23, 2014) http://www.patentspostgrant.com/district-courts-increasingly-await-ptab-outcome; *see also Capriola. Corp. v. La Rose Indus., LLC*, 2013 U.S. Dist. LEXIS 65754, 2013 WL 1868344 (M.D. Fla. Mar. 11, 2013) ("if the PTO declines *inter partes* review, little time is lost, but if PTO grants *inter partes* review, the promise is greater for an important contribution by the PTO to resolution of the governing issues in the litigation."). The rate of stay grants varies across districts and judges. The Northern District of California granted 85% of IPR stay motions through September 2014, while the Eastern District of Texas had granted 13% of stay petitions. *See* Goodwin Proctor, *The PTAB Second Anniversary: Reflections and Strategies for the Years Ahead*, IP Advisor (Sept. 2014) http://www.goodwinprocter.com/~/media/Files/Publications/Newsletters/IP%20Advisor/2014/Goodwin%20Procter%20IP%20Advisor%20PTAB%202nd%20Anniversary%20Edition.PDF.

2.2.6.4.2 Evaluating Stay Requests with Pending AIA Review

Most courts continue to evaluate stay motions according to the same three-factor test articulated prior to the passage of the AIA. *See Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, 2012 U.S. Dist. LEXIS 186322, 2012 WL 7170593, at *1, n. 1 (C.D. Cal. Dec. 19, 2012) ("The Court sees no reason why the three factor assessment would not still be relevant [to the new inter partes review proceeding]."). The decision remains based on the "totality of the circumstances" and the inquiry is not limited to the three factors commonly cited. *See Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013). Because the PTAB has six months to decide whether to institute an IPR proceeding after a petition is filed, § 314(b), and the scope of the proceeding will not be known until it is instituted, many courts have expressed reluctance to stay a case merely on the filing

of a petition. *See, e.g.*, *Dane Techs., Inc. v. Gatekeeper Sys., Inc.*, 2013 U.S. Dist. LEXIS 117718, 2013 WL 4483355, at *4 (D. Minn. Aug. 20, 2013) ("Before the PTO makes this decision the Court can only speculate as to whether the PTO will review a patent and to what extent."); *Ultratec, Inc. v. Captel, Inc.*, 2014 U.S. Dist. LEXIS 120062 at *6–7 (W.D. Wis. Nov. 14, 2013) (stay pending the PTAB's decision on the petition "adds an additional layer of doubt whether the inter partes review will even occur, let alone whether it will simplify the issues or reduce the burden of litigation for the parties or the court"); *One StockDuq Holdings, LLC v. Becton, Dickinson & Co.*, 2013 U.S. Dist. LEXIS 36621, 2013 WL 1136726, at *3 (W.D. Tenn. May 6, 2013) (denying stay because "the PTO has not yet granted Defendant's Petition for reexamination and it is possible that the PTO will never grant Defendant's Petition" and "staying the case at this juncture could result in an unnecessary delay of six months").

One important issue in assessing a stay motion is whether the PTAB review would potentially resolve the full range of claims before the court. The stay motion presents the court with the opportunity to clarify the potential ramifications of the PTAB review. If a successful challenge would not resolve the outstanding questions, the court can explore the possibility of stipulations to streamline the district court litigation.

2.2.6.4.3 Special Case: Stay Request with Pending CBMR

Courts have shown greater willingness to stay litigation pending covered business method review (CBMR). The CBMR process was conceived as a transitional program for patents that claim "method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, [excluding patents for technological inventions]." AIA § 18(d)(1). The patentability of business methods has been especially controversial, with the Supreme Court substantially limiting eligibility for these claims. *See* §§ 14.3.1.2.4, 14.3.1.2.5, 14.3.1.3. Since the creation of CBMR, the PTO has interpreted the scope of the CBM procedure broadly. For instance, in *Salesforce v. VirtualAgility*, CBM 2013-00024, Paper No. 16 (P.T.A.B. Nov. 19, 2013), the PTAB instituted a CBMR for a patent even though the patent claim did not expressly refer to financial activity.

District courts have been lenient in granting stays pending CBMR, recognizing that the statutory language in the AIA regarding CBMRs was intended to encourage a higher rate of stays. *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 489, 496 (D. Del. 2013) (recognizing a fourth factor when considering a motion to stay pending CMBR—"whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court"—and acknowledging the addition of this factor was intended to encourage a higher rate of stays pending CBMR); *Versata Software, Inc. v. Volusion, Inc.*, 2013 U.S. Dist. LEXIS 182842, 2013 WL 6912688, at *2 (W.D. Tex. June 20, 2013) (instituting a stay pending CBMR based on the four-factor test and "Congress's clear preference in favor of stays"); *Progressive Cas. Ins. Co. v. Safeco Ins. Co.*, 2013 U.S. Dist. LEXIS 54899, 2013 WL 1662952 (N.D. Ohio April 17, 2013) (reviewing the legislative history, which indicates the new CMBR is "designed to provide a cheaper, faster alternative to district court litigation

over the validity of business-method patents"); *Zillow v. Trulia*, 2013 U.S. Dist. LEXIS 144919, 2013 WL 5530573, at *3 (W.D. Wash. Oct. 7, 2013) ("the fourth factor was added in order to ease the movant's task in demonstrating the need for a stay"). Section 18(b)(2) also provides that a party may make an interlocutory appeal from a district court's grant or denial of stay pending CBMR. *See VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307 (Fed. Cir. 2014) (reversing district court decision to deny a stay even under an abuse-of-discretion standard). However, the Federal Circuit does "not have jurisdiction under § 18(b)(2) . . . to consider an interlocutory appeal from a decision on a motion to stay until the PTAB institutes a CBMR proceeding." *Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, 781 F.3d 1372 (Fed. Cir. 2015).

2.2.6.5 Preemption of State-Law Unfair Competition Claims

Federal patent law preempts state tort law (e.g., for unfair competition) where the patentee has acted in good faith in its communications to others regarding alleged infringement. *See, e.g.*, *Viskase Cos. v. World Pac. Int'l AG*, 710 F. Supp. 2d 754, 756 (N.D. Ill. 2010) (citing *Globetrotter Software, Inc. v. Elan Computer Grp., Inc.*, 362 F.3d 1367, 1374 (Fed. Cir. 2004)). "[T]o avoid preemption, bad faith must be alleged and ultimately proven, even if bad faith is not otherwise an element of the tort claim." *Globetrotter*, 362 F.3d at 1374 (internal quotation marks omitted).

2.2.7 Rule 11: Presuit Investigations—Objective Good-Faith Basis for Filing Pleading

Rule 11 requires that a party filing a complaint has sufficiently investigated to form a good-faith basis for its claims. Thus, a patentee must exercise reasonable diligence to ascertain infringement before filing suit. This process must include a reasonable investigation into the interpretation of the claims. *Judin v. United States*, 110 F.3d 780, 784 (Fed. Cir. 1997). Because patents are presumed valid under § 282, a patent holder has no obligation to assess validity prior to filing infringement claims. *See Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1303 (Fed. Cir. 2004); *Vigil v. Walt Disney Co.*, 2000 U.S. App. LEXIS 6231, at *1–2, 2000 WL 353148 (Fed. Cir. 2000).

The level of inquiry may vary according to the nature of the allegedly infringing product or process since some infringement (for example, of software patents) is difficult to ascertain from publicly available information. *See Woods v. DeAngelo Marine Exhaust, Inc.*, 692 F.3d 1272, 1288–89 (Fed. Cir. 2012); *Judin*, 110 F.3d at 784. If an accused product is readily obtainable and easily examined, courts tend to hold that it is reasonable to expect the patent owner to examine it, or have a reasonable explanation for not doing so. *Judin*, 110 F.3d at 784 (holding that patent owner and attorney had acted unreasonably when they had not "attempted to obtain a device from the [defendant] or the manufacturer so that they could more closely observe the device, nor was any attempt made to dissect or 'reverse-engineer' a sample device"); *Refac Int'l Ltd. v. Hitachi Ltd.*, 141 F.R.D. 281, 286 (C.D. Cal. 1991); *c.f. Vista Mfg. Inc. v. Trac-4 Inc.*, 131 F.R.D. 134, 138 (N.D. Ind. 1990) (declining to

"recognize a general rule that Rule 11 requires an infringement plaintiff to examine the defendant's product in all instances"). If it is not possible for a patent owner to fully investigate infringement (e.g., the invention is a patented method that the potential defendant practices in secret), Rule 11 permits a party to proceed by specifically identifying in its pleadings those factual contentions that will "likely have evidentiary support after a reasonable opportunity for further investigation or discovery," distinguishing them from those factual contentions that "have evidentiary support . . . ." Fed. R. Civ. P. 11(b)(3).

2.3 Jurisdiction and Venue

2.3.1 Personal Jurisdiction

Personal jurisdiction is analyzed under the familiar two-part test: whether the applicable state long-arm statute is satisfied and whether the exercise of personal jurisdiction is consistent with the Due Process Clause of the Constitution. *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1200, 1201 (Fed. Cir. 2003); *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1359–60 (Fed. Cir. 2001). Patent cases typically do not raise substantial issues of personal jurisdiction since the defendant is alleged to have sold or offered for sale infringing products within the district, which usually provides specific personal jurisdiction over the infringement dispute. Personal jurisdiction issues can arise, however, in ANDA cases (discussed in Chapter 10) or where non–U.S.-based parties are alleged to have infringed.

In *Daimler AG v. Bauman*, the Supreme Court held that a court's exercise of general jurisdiction is appropriate only when a defendant's affiliations with the forum state are so continuous and systematic as to render it "essentially at home" in that state. 134 S. Ct. 746, 755 (2014) (quoting *Goodyear Dunlop Tires Operations, S.A. v. Brown*, 131 S. Ct. 2846, 2851 (2011)). This ruling has particular implications for Hatch-Waxman Act–based ANDA cases, as more generic company defendants may elect to challenge personal jurisdictions in districts that are neither the generic company's principal place of business nor their place of incorporation. Chapter 10.2.1 discusses this case's impact on ANDA litigation in further detail.

Plaintiffs typically rely on the "stream of commerce" theory of personal jurisdiction advanced in *Asahi Metal Industry Co. v. Superior Court of California, Solano County*, 480 U.S. 102 (1987). *See, e.g.*, *Freescale Semiconductor, Inc. v. Amtran Tech. Co.*, 2014 U.S. Dist. LEXIS 58044, 2014 WL 1603665 (W.D. Tex. Mar. 19, 2014) (granting renewed motion to dismiss for lack of personal jurisdiction under the "stream of commerce" theory). *Asahi* includes two plurality opinions embodying two different tests for stream of commerce, the *O'Connor* test (defendant must perform some act with respect to its products purposefully directed towards the forum) and the *Brennan* test (sufficient if reasonably foreseeable products would enter the forum). The Supreme Court's later decision in *J. McIntyre Machinery Ltd. v. Nicastro*, 131 S. Ct. 2780 (2011), has not resolved the different tests, and the Federal Circuit has so far declined to take a position on either of the two tests. *See AFTG-TG, LLC v. Nuvoton Tech. Corp.*, 689 F.3d 1358, 1363 (Fed. Cir. 2012) ("the law [on

stream of commerce] remains the same after *McIntyre*); *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1566 (Fed. Cir. 1994). Given the uncertainty surrounding the "stream of commerce" test, the Federal Circuit has emphasized the importance of jurisdictional discovery. *See Trintec Indus., Inc. v. Pedre Promotional Prods., Inc.*, 395 F.3d 1275, 1283 (Fed. Cir. 2005) (vacating trial court's dismissal for lack of personal jurisdiction and remanding for jurisdictional discovery, upon finding existing record was inadequate and jurisdictional allegations could be supplemented through discovery); *Commissariat a l'Energie Atomique v. Chi Mei Optoelectronics Corp.*, 395 F.3d 1315, 1319 (Fed. Cir. 2005) (vacating trial court's dismissal for lack of personal jurisdiction and remanding for jurisdictional discovery, upon a finding that the record sufficiently supported jurisdiction under the *Brennan* test, but was inadequate for a determination under the *O'Connor* test); *see also GrafTech Int'l Holdings Inc. v. G&CS Co.*, No. 2:12-cv-720, ECF No. 39 (E.D. Tex. Apr. 8, 2014) (denying without prejudice foreign defendant's motion to dismiss for lack of personal jurisdiction and ordering the parties to pursue jurisdictional discovery).

2.3.2 Subject-Matter Jurisdiction

2.3.2.1 Original Jurisdiction

Under 28 U.S.C. § 1338(a), federal district courts have exclusive original jurisdiction of "any civil action arising under any Act of Congress relating to patents." In *Christianson v. Colt Industries Operating Corp.*, the Supreme Court held that "cases fall within the Federal Circuit's patent jurisdiction in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction." 486 U.S. 800, 814 (1988) (quotation omitted). *See also Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, 631 F.3d 1367 (Fed. Cir. 2011) (holding that a malpractice claim brought under Michigan law arose under federal law because it required the district court to resolve a substantive issue of patent law). The familiar "well-pleaded complaint" rule determines whether a case "arises under" federal law. Most decisions that address the rule have dealt with defenses, whether patent-specific (as in *Christianson*) or as a matter of general federal law. *See Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 831 (2002). In 2002, the Court clarified that whether a claim arises under an act "relating to patents" is to be determined solely on the basis of the complaint and not on any counterclaims, compulsory or otherwise. *Id.*

2.3.2.2 Supplemental Jurisdiction

The jurisdiction of federal district courts extends to state-law claims arising out of a patent dispute. A common example of such jurisdiction is a trade secrets cause of action relating to the same technology as the patent cause of action. The supplemental jurisdiction statute provides that "in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that . . . form part of the same case or controversy under Article III of the United States Constitution." 28 U.S.C. § 1367(a). Accordingly, if a district court has no

underlying original jurisdiction (e.g., the plaintiff lacks standing to bring any federal claims), the supplemental state-law claims must be dismissed. *Textile Prods., Inc. v. Mead Corp.*, 134 F.3d 1481, 1485–86 (Fed. Cir. 1998). However, the district courts have discretionary authority to retain supplemental jurisdiction over state-law claims even when the federal claims giving rise to original jurisdiction have been dismissed on the merits. 28 U.S.C. § 1367(c); *Gaia Techs., Inc. v. Reconversion Techs., Inc.*, 104 F.3d 1296, 1297 (Fed. Cir. 1996) (citing *Baker v. Farmers Elec. Coop., Inc.*, 34 F.3d 274, 283 (5th Cir. 1994)), amending 93 F.3d 774, 781 (Fed. Cir. 1996).

2.3.3 Venue

Venue for patent cases is generally governed by 28 U.S.C. § 1391, permitting filing in any district in which infringing activity (broadly defined as making, selling, or offering for sale) has occurred.

2.3.3.1 Venue Transfer Motions

Because most patent cases involve products or services available nationally, the patent venue statute generally permits a plaintiff to bring suit in any district. Accordingly, defendants are often sued for infringement in a district in which they have no physical presence, and will often respond with a motion to transfer venue.

"For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought." 28 U.S.C. § 1404(a). Federal Rule of Civil Procedure 72(a) requires that district courts "promptly conduct" venue transfer proceedings. *See In re EMC Corp.*, 501 F. App'x 973, 975, 976 (Fed. Cir. 2013) (stressing "the importance of addressing motions to transfer at the outset of litigation"); *see also In re Google*, 2015-138 (Fed. Cir. 2015) (granting writ of mandamus to direct a magistrate judge to stay proceedings and decide a motion to transfer that had been pending for over nine months). Furthermore, motions to transfer venue are to be decided based on "the situation which existed when suit was instituted." *Hoffman v. Blaski*, 363 U.S. 335, 343 (1960) (quoting *Paramount Pictures, Inc. v. Rodney*, 186 F.2d 111, 119 (3d Cir. 1950) (Hastie, J., dissenting)). Thus, any familiarity that the district court has gained with the underlying litigation due to the progress of the case since the filing of the complaint is irrelevant when considering the transfer motion. *See In re EMC Corp.*, 501 F. App'x at 976.

To obtain a change of venue, the defendant must demonstrate why the forum should be changed. The difficulty of meeting that burden is the subject of some disagreement. In *Gulf Oil Corp. v. Gilbert*, a frequently cited case, the Supreme Court held that "unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed." 330 U.S. 501, 508 (1947), *superseded by statute*, 28 U.S.C. § 1404(a), *as recognized in Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706 (1996). However, *Gilbert* is a *forum non conveniens* case, not a § 1404(a) case. In *Norwood v. Kirkpatrick*, decided after the enactment of § 1404(a), the Supreme Court held that § 1404(a)'s "words should be considered for what they say, not with preconceived limitations derived from the *forum non conveniens* doctrine,"

and that § 1404(a) was "intended to permit courts to grant transfers upon a lesser showing of inconvenience" than that required in the *forum non conveniens* context. 349 U.S. 29, 31, 32 (1955) (internal quotations omitted). The Fifth Circuit has further examined the difference between the *forum non conveniens* doctrine (which requires dismissal of a case) and § 1404(a) (which permits only transfers), and held that "the avoidance of dismissal through § 1404(a) lessens the weight to be given" to the plaintiff's choice of venue and that, consequently, "he who seeks the transfer must show good cause." *Humble Oil & Ref. Co. v. Bell Marine Serv., Inc.*, 321 F.2d 53, 56 (5th Cir. 1963). Sitting en banc, the Fifth Circuit held that

> to show good cause means that a moving party, in order to support its claim for a transfer, must satisfy the statutory requirements and clearly demonstrate that a transfer is "[f]or the convenience of parties and witnesses, in the interest of justice." Thus, when the transferee venue is not clearly more convenient than the venue chosen by the plaintiff, the plaintiff's choice should be respected. When the movant demonstrates that the transferee venue is clearly more convenient, however, it has shown good cause and the district court should therefore grant the transfer.

In re Volkswagen of Am., Inc., 545 F.3d 304, 315 (5th Cir. 2008) (en banc). The Fifth Circuit made clear that the "good cause" burden "reflects the appropriate deference to which the plaintiff's choice of venue is entitled." *Id*.

In determining whether to transfer venue, courts balance the convenience of the litigants and the public interest in the fair and efficient administration of justice. *Id.* The convenience factors include: (1) the relative ease of access to sources of proof; (2) the availability of the compulsory process to secure witnesses' attendance; (3) the willing witnesses' cost of attendance; and (4) all other practical problems that may interfere with the litigation being relatively easy, expeditious, and inexpensive. *In re TS Tech USA Corp.,* 551 F.3d 1315, 1319 (Fed. Cir. 2008) (applying Fifth Circuit law). The public factors include: (1) the administrative difficulties flowing from court congestion; (2) the local interest in having local issues decided at home; (3) the forum's familiarity with the governing law; and (4) the avoidance of unnecessary conflict-of-law problems involving the application of foreign law. *Id.* Although courts have traditionally also considered the plaintiff's forum choice (though that by itself was not conclusive or determinative, *In re Horseshoe Entm't*, 337 F.3d 429, 434 (5th Cir. 2003)), the Fifth Circuit in *Volkswagen* held that the plaintiff's forum choice was reflected in the moving party's burden to show good cause, and that no separate consideration need be given to the plaintiff's choice. *Volkswagen*, 545 F.3d at 315.

To correct "a patently erroneous denial of transfer," the Federal Circuit may grant a writ of mandamus, ordering a district court to transfer a case to a different venue. *In re Acer Am. Corp.*, 626 F.3d 1252, 1254 (Fed. Cir. 2010) (ordering transfer where plaintiff and five defendants were located in transferee venue and no party was located within 300 miles of courthouse where case was filed). "The writ of mandamus is available in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power." *In re Nintendo Co.*, 589 F.3d 1194, 1197 (Fed. Cir. 2009). In *Nintendo*, the Federal Circuit held that the district court abused its discretion "in a case featuring most witnesses and evidence closer to the transferee venue with few or no convenience factors favoring the venue chosen by the plaintiff." *See id.* at 1198.

Similarly, the Federal Circuit has granted mandamus relief in cases reflecting a variety of factual situations, especially out of the Fifth Circuit. *See, e.g.*, *In re Microsoft Corp.*, 630 F.3d 1361 (Fed. Cir. 2011) (ordering transfer where U.K. plaintiff incorporated affiliate and established office without employees in Tyler, Texas, sixteen days before filing suit there); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378, 1381 (Fed. Cir. 2010) (ordering transfer out of the Eastern District of Texas where "plaintiff is attempting to game the system by artificially seeking to establish venue by sharing office space with another of the trial counsel's clients"); *In re Hoffman–La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009) (ordering transfer from Eastern District of Texas where plaintiff's only connection to transferring district was storing electronic documents locally); *In re TS Tech USA Corp.,* 551 F.3d 1315, 1321 (Fed. Cir. 2008) (finding that the district court "clearly abused its discretion in denying transfer from a venue with no meaningful ties to the case"); *but cf. In re Apple Inc.*, 743 F.3d 1377, 1379 (Fed. Cir. 2014) (divided panel denied writ of mandamus seeking relief from Eastern District of Texas order denying transfer); *In re ASUS Comput. Int'l*, 537 F. App'x 928 (Fed. Cir. Sept. 11, 2014) (denying writ of mandamus, explaining that "[t]he clear abuse of discretion standard means that the district court has a 'range of choice' and that its decision will be upheld so long as it stays within reason." (quoting *In re Vistaprint Ltd.*, 628 F.3d 1342, 1347 (Fed. Cir. 2010)).

Notably, in applying Fifth Circuit law in these cases, the Federal Circuit held that the plaintiff's choice of forum need only be honored to the extent the plaintiff's connections to the forum are legitimate, rather than connections "made in anticipation of litigation and for the likely purpose of making that forum appear convenient." *See In re Microsoft Corp.*, 630 F.3d at 1361, 1364 (Fed. Cir. 2011); *see also In re Toyota Motor Corp.*, 474 F.3d 1338, 1340 (Fed. Cir. 2014) (applying Fifth Circuit law in affirming district court's transfer order, which found that the plaintiff's recent opening of an office in the district court's jurisdiction did not favor retention); *In re Nintendo*, 756 F.3d 1363 (Fed. Cir. 2014) (affirming Eastern District of Texas order denying transfer, noting that "decisions granting transfer have looked beyond the connection of the parties with the transferor venue when the disparity of convenience is so marked as to outweigh the plaintiff's right to choose the forum."). District courts beyond the Fifth Circuit have cited this rule to justify increased scrutiny of the plaintiffs' chosen forum. *See, e.g.*, *Pragmatus AV, LLC v. Facebook, Inc.*, 769 F. Supp. 2d 991, 997 (E.D. Va. 2011) (citing *In re Microsoft* for the proposition that, for the plaintiff's choice to warrant substantial deference in the venue analysis, "[the] plaintiff must prove a legitimate connection to the district") (criticizing plaintiffs for selecting forum because of its reputation as a "rocket docket").

Another reason the Federal Circuit has ordered transfer is that "[i]n patent infringement cases, the bulk of the relevant evidence usually comes from the accused infringer. Consequently, the place where the defendant's documents are kept weighs in favor of transfer to that location." *In re Genentech, Inc.*, 566 F.3d 1338, 1345 (Fed. Cir. 2009) (quoting *Neil Bros. Ltd. v. World Wide Lines, Inc.*, 425 F. Supp. 2d 325, 330 (E.D.N.Y. 2006)); *but see In re Barnes & Noble, Inc.*, 743 F.3d 1381 (Fed. Cir. 2014) (divided panel denied writ of mandamus seeking relief from order refusing to transfer case even though party and nonparty witnesses resided in the transferee district be-

cause the movant failed to address how many such witnesses would be unavailable or unwilling to testify in the transferor district and other factors favored the transferor district). In addition, the Federal Circuit has played down the role of the defendant's place of incorporation, overturning a District of Delaware ruling that the defendant's nominal corporate domicile tipped the balance in favor of retaining venue in Delaware. *See In re Link_A_Media Devices Corp.*, 662 F.3d 1221 (Fed. Cir. 2011).

Nonetheless, the Federal Circuit has denied mandamus where remaining in a particular venue would significantly serve judicial economy. *See In re Vistaprint, Ltd.*, 628 F.3d 1452 (Fed. Cir. 2010) (denying writ of mandamus for transfer where there was past and co-pending litigation in the same court on the patent in suit); *In re Volkswagen of Am., Inc.*, 566 F.3d 1349 (Fed. Cir. 2009) (denying transfer where three lawsuits were pending in the same court on the same patents); *but see In re Verizon Bus. Network Servs.,* 635 F.3d 559, (Fed. Cir. 2011) (ordering transfer where convenience factors clearly outweighed the possible judicial efficiencies to be gained because the patent-in-suit had been previously construed by the same court in a separate action five years earlier, and prior to a reexamination proceeding).

Despite these denials of mandamus, recent writs issued by the Federal Circuit regarding transfer motions have made clear that certain facts, without more, are inadequate to maintain venue in a forum if there is another forum that is more convenient to witnesses in the action. For example, until recently, some district courts denied transfer on the ground that the forum was a centralized locale between many far-flung witnesses and documents. The Federal Circuit has rejected this rationale for maintaining venue. *See In re Genentech, Inc.*, 566 F.3d at 1348; *In re Nintendo Co.*, 589 F.3d 1194, 1199–1200 (Fed. Cir. 2009). Table 2.4 summarizes factual showings deemed insufficient to maintain venue.

Table 2.4
Facts, Standing Alone, Held Insufficient to Maintain Venue

District court deference to plaintiff's choice of forum.	*In re Nintendo*, 756 F.3d 1363 (Fed. Cir. 2014) *In re TS Tech USA Corp.,* 551 F.3d 1315 (Fed. Cir. 2008)
Presence of electronic documents in the forum.	*In re Hoffmann–La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009)
Plaintiff's presence in the venue was solely for purposes of litigation. For example: Incorporating in the venue 16 days prior to filing suit. Sharing office space in the forum with another client of trial counsel.	*In re Toyota Motor Corp.*, 474 F.3d 1338 (Fed. Cir. 2014) *In re Microsoft Corp.*, 630 F.3d 1361 (Fed. Cir. 2011) *In re Zimmer Holdings, Inc.*, 609 F.3d 1378 (Fed. Cir. 2010)
Past experience of the transferee forum with the patent in suit.	*In re Verizon Bus. Network Servs.*, 635 F.3d 559 (Fed. Cir. 2011)
Defendant sells allegedly infringing products in the forum.	*In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009)

"Central location" rationale.	*In re Genentech, Inc.*, 566 F.3d 1338 (Fed. Cir. 2009) *In re Nintendo Co.*, 589 F.3d 1194 (Fed. Cir. 2009)
Defendant is incorporated in the forum but maintains no other business presence there.	*In re Link_A_Media Devices Corp.*, 662 F.3d 1221 (Fed. Cir. 2011)

2.3.4 Multidistrict Coordination

There are a number of options for managing multiple patent cases between the same parties or involving the same patents. This issue takes on greater significance in the aftermath of the AIA's misjoinder provision. *See* § 2.2.2.1.1. Multiple cases pending in the same district are often consolidated (or at least coordinated) before a single judge. *See* § 5.1.3.8 (discussing claim construction in multidefendant cases). Related cases pending in multiple districts can be consolidated by a transfer of venue under 28 U.S.C. § 1404(a). In addition, the United States Judicial Panel on Multidistrict Litigation ("JPML") is authorized to transfer cases for coordinated or consolidated pretrial proceedings if transfer "will be for the convenience of the parties and witnesses and promote the just and efficient conduct of such actions." 28 U.S.C. § 1407.

Co-pending patent cases are eligible for coordination or consolidation through this process. For example, the JPML issued an order transferring seven patent actions relating to a patent on a system for spraying self-tanning solutions then pending in various districts for coordinated or consolidated pretrial proceedings. *See In re Laughlin Prods., Inc., Patent Litig.*, 265 F. Supp. 2d 525 (E.D. Pa. 2003). In *In re Bear Creek Techs., Inc.*, 858 F. Supp. 2d 1375 (2012) (MDL No. 2344), the JPML ruled that § 299(a) of the AIA does not alter its authority to order pretrial centralization of patent litigation. The JPML reasoned that there was "no overlap" between the AIA and § 1407, because of the different standards of the two statutes. It contrasted the AIA's focus on joinder and consolidation at trial with "Section 1407's express focus on transfer for pretrial proceedings." The JPML concluded that transfer and centralization was appropriate in *Bear Creek* because the separate actions shared "substantial background questions of fact" concerning the "validity and enforceability" of the patent-in-suit, as well as "claim construction." The JPML emphasized that "centralization offers substantial savings in terms of judicial economy by having a single judge become acquainted with the complex patented technology and construing the patent in a consistent fashion (as opposed to having six judges separately decide such issues)." When related cases or litigation between the same parties cannot be consolidated, district courts still have many available options to coordinate proceedings. Courts may designate one case as the "lead case," or even stay a case until the conclusion of another. Judges may conduct joint hearings or conferences, or jointly appoint special masters under Federal Rule of Civil Procedure 53. The parties may be required to prepare a joint discovery plan, and protective orders can be drafted to make discovery from one case available in another.

2.4 Scheduling

As in any litigation, the case-management conference and scheduling order under Federal Rule of Civil Procedure 26(f) and 16(b) form the starting point for managing the litigation. Scheduling and case management in a patent case must balance the need for efficient identification and resolution of key issues against the dangers of insufficiently comprehending those possibly complex, highly technical issues. As discussed above, in § 2.1, patent local rules adopted in some district courts reflect various approaches to striking this balance. Courts outside these districts should consider whether such rules can be adapted to the needs of a specific case, if not a standing order.

Regardless of any patent local rules, scheduling will be optimized if the scheduling order includes dates for:

- disclosure of invalidity and infringement contentions,
- last date to disclose intention to rely on advice of counsel as a defense,
- last date to add inequitable conduct allegations without leave of court,
- close of fact discovery,
- claim-construction hearing date,
- close of expert discovery,
- last date for filing and hearing dispositive motions (in most patent cases, both sides will want to file multiple summary judgment motions; *see* §§ 2.1.3.2.4 and 5.1),
- schedule for *Daubert* motions (*see* § 7.4.2),
- the possibility of staggering expert report deadlines with damages reports due before technical expert reports,
- requiring substantial disclosure of damages theories in initial disclosures (*see* §§ 2.6.4, 4.2.1), and
- setting an early date for motions to dismiss that would narrow the scope of the action (*see* § 6.1.3).

Case-specific factors will drive decisions regarding the time necessary to complete each of the above tasks. At the outset of the case, the parties will be more familiar with these unique factors. Therefore, to facilitate preparation of an effective case-management order, the court should ask the parties to address each of these issues and to provide a proposed calendar in their Rule 26(f) Joint Case Management Statement.

2.5 Case-Management Conference

Effective management of a patent case usually begins with a case-management conference pursuant to Rule 26(f). At the conference, the court and parties identify issues relating to the substance of the case and any business considerations that influence the dispute. The court should also establish ground rules that will encourage the parties to minimize acrimony and maximize communication and compromise.

In many districts, the conference is held off the record, with only counsel in attendance. Informality can promote more productive discussion and compromise. In particularly complex or obviously contentious cases, it may be necessary to conduct the proceedings on the record.

In advance of the initial conference, many courts will issue a form of standing order that applies to patent cases, addressing the matters to be covered in the Joint Case Management Statement, the agenda for the conference, certain aspects of local patent rules and attendant disclosures, and presumptive limitations on discovery.

Some courts have found it helpful in patent cases to distribute a very brief "advisory" document to address some of the special aspects of patent litigation, as well as expectations for conduct of the case, beyond what might be found in a typical standing order or local rules. This advisory document may be distributed at, or in advance of, the initial case-management conference. Appendices 2.3 and 2.4 contain examples. The court might consider in appropriate cases requiring that lead counsel provide a copy of this advisory to their respective clients.

The following charts identify subjects for initial and subsequent case-management conferences that guide preparations for discussing the case with counsel. Appendices 2.1 and 2.2a present this material as checklists that can be provided to the parties. Exploring these issues will provide insight into how counsel might be expected to conduct the litigation and whether the case is amenable to early settlement or summary judgment.

Table 2.5
Business and Market Considerations Checklist

Issue	Implications
What are the accused products?	Damages. Why certain terms are being disputed in claim construction and the effect of a given interpretation. This information may also affect the scope of discovery.
Do the accused products encompass the accused infringer's entire business, or are they part of a larger line of products?	Can be a factor in injunctions and stays: business-destroying judgments favor stays of execution.
How big is the market for these products (approximate annual sales figures)?	Willingness to litigate to trial. Justification for imposing private costs such as special masters.
Does the plaintiff make a competing product?	Relevant to consideration of injunctive relief. Can complicate damages because of plaintiff's loss of monopoly pricing.
Are there other competitors in the market?	Issue preclusion or stare decisis possible if patent owner loses. Damages affected if economic substitutes available.

Issue	Implications
Have the parties had a prior business relationship? If so, how and when did it end?	Partners who have a history together, or an ongoing relationship, are more amenable to settlement. May be helpful in understanding collateral motivations to sue, and possible avenues to settlement.
What is the financial state of the parties (e.g., what were the companies' prior-year profits and what are projected profits)?	See above.
Are the parties public companies?	See above.
Will injunctive relief put the accused infringer out of business?	See above.
How much time remains before the asserted patents expire?	Can affect equitable factors in injunctions and stays.

Table 2.6
Substantive Considerations Checklist

Issue	Implications
Is the party asserting the patent(s) the named inventor? If not, how did the party acquire the patent rights? If by license or assignment, when did this occur?	Standing.
Is there parallel litigation (e.g., ITC) or review at the PTAB?	Stay pending resolution of related actions.
Is there a dispute about the structure and function of the accused device?	If these points are undisputed, then infringement is effectively a question of claim construction, and the case may be handled on a more expedited basis.
Is the technology complex?	The court might require a tutorial or consider appointment of a special master or technical advisor.
Are there substantive issues amenable to early resolution (e.g., a few dispositive claim terms, patent eligibility)?	Narrowing the disputed issues early in the case can focus discovery and encourage settlement; timing of resolution; need for tutorial.
Have the asserted patents—or any related patents—been litigated in actions against other parties? If so, what was the outcome?	Other case discovery may be helpful to efficient handling of current litigation. Successful prior assertion of patent can affect validity analysis. Understanding how other courts handled claim-construction or summary judgment issues can be helpful, whether or not any decisions were final, vacated, or binding in the current case.

Issue	Implications
Have the asserted patents—or any related patents—been licensed to third parties? If so, is defendant asserting a license defense or patent exhaustion?	Patent owner's licensing activities can affect damages and consideration of injunctive relief.
Are the asserted patents connected with any industry standard? Are the asserted patents subject to a binding obligation to license?	Patent owner's participation in standard-setting organizations may affect damages and consideration of injunctive relief, as SSOs often impose patent disclosure obligations or obligations to license on fair, reasonable, nondiscriminatory terms.
Have the asserted patents—or any related patents—been reexamined in the USPTO? If so, what was the outcome? If not, is this something that either party is contemplating?	Outcome of USPTO proceedings can affect scope of claims and sometimes damages. Current or planned proceedings at USPTO may be grounds for stay of litigation. *See* § 4.6.4
If the accused infringer intends to rely on opinion of counsel with attendant waiver of attorney–client privilege, what will be the scope of the waiver?	*See* § 2.2.3.2.2. Early discussion of waiver issues may obviate postwaiver disputes over scope.
Has litigation counsel for the patentee been involved in prosecution of the patents-in-suit or related patents?	May result in need to depose trial counsel or partners. Raises issues of privilege waiver and possible disqualification.
Discuss how the court intends to address the proper role for and limitations on expert witnesses. *See* § 7.4.1.	Raising these issues early can provide valuable guidelines for the parties in preparing for trial.
If the plaintiff has asserted indirect infringement (contributory or by inducement), discuss how plaintiff intends to prove accused infringer's required mental state.	Raising the issue early can help guide the parties to ensure that the necessary facts are developed in discovery.
How does the plaintiff expect to calculate reasonable royalty damages? Established royalty or hypothetical negotiation? Will the entire-market-value rule be applied? Are there comparable licenses?	Raising the issue early can help guide the parties to ensure that the facts necessary to support are developed in discovery.
Will any survey evidence be presented at trial (e.g., to show customer demand for the patented invention or support a damages theory based on the entire-market-value rule)?	May wish to require parties and their experts to discuss or agree on survey design before it is conducted, to save time and money and resolve admissibility problems in advance. *See* Manual for Complex Litigation, § 11.493 (4th ed. 2004); *see generally* Shari Seidman Diamond, *Reference Guide on Survey Research*, *in* Reference Manual on Scientific Evidence 359 (Federal Judicial Center, 3d ed. 2011).

Table 2.7
Managing Cooperation Between the Parties and the Potential for Early Resolution

Issue	Implications
Discuss potential parallel litigation and PTAB review.	Efficiency, timing, and cost of litigation. Whether to stay litigation depends in part on whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party.
Discuss the parties' anticipated scope of discovery. Consider limiting the number of depositions, document requests and/or requests for admission. Consider whether the 25-interrogatory limit under the Federal Rules should be modified.	Efficiency and cost of litigation. More robust discovery planning generally means less call on the court to intervene later in discovery disputes.
Discuss electronic discovery issues.	Encourages early cooperation in complex and costly area; diminishes risk of inadvertent loss of electronic records.
Discuss the patents and claims being asserted. Consider imposing a limit on the number of claim terms to be construed.	Helps parties focus on narrowing issues in the case, reducing the burden on themselves and the court.
Discuss whether claim construction will turn on disputed subsidiary facts.	Helps to plan for *Markman* hearing—scope of tutorial; whether to have live testimony from experts or other witnesses.
Require the parties to meet and confer (at least telephonically) before bringing discovery disputes to the court. Provide stern warnings concerning cooperation and communication.	Reduces the need for court intervention to resolve discovery disputes, which can overwhelm a case if not controlled.
Consider limiting the number of discovery disputes the court will entertain without prior leave.	See above. The court may exercise even more control by requiring leave through a telephonic hearing, either directly or preceded by a very brief exchange of letters.
If the district does not have its own patent local rules, consider adopting the patent local rules of another district (e.g., Northern District of California). Discuss with the parties ways that such patent local rules might be adapted to the case.	Improves efficiency by eliminating most common discovery disputes. Generally improves forward progress of the case and assures that claim-construction and summary judgment motions will be informed.

Issue	Implications
Discuss the timing of summary judgment motions and their relationship to claim construction, and identify any other issues that could potentially give rise to dispositive motions. If so, do these issues require much discovery?	While claim construction may or may not have to be completed before the summary judgment process (*see* § 2.1.3), other issues may be dispositive. See § 6.1.1 for further discussion of issues that might be amenable to early adjudication.
Discuss any restrictions that the court will or might impose on the number of summary judgment motions.	Can greatly affect the parties' strategies and practices. See § 6.1 for guidance on summary-adjudication best practices for patent cases.
Discuss how the court will distinguish motions for summary judgment and motions *in limine*. *See* § 7.1.4.	Reduces burden of premature consideration of *in limine* motions and tardy consideration of summary judgment motions.
Discuss approaches to mediation. Appoint mediator, or initiate selection process. *See* § 2.7.	Establishes mediation as integral and continuous part of litigation process. Encourages parties to cooperate on information exchange. Enhances chance of early resolution.

2.6 Salient Early Case-Management Issues

This section addresses issues that can greatly influence the costs and complexity of patent litigation. The goal is to identify possible issues that can potentially lead to early resolution of some or all issues and/or greatly reduce the costs of patent litigation.

2.6.1 Multidefendant Litigations

An increasingly popular trend has been for patentees to sue large numbers of defendants in a single litigation. For plaintiffs, this approach is often less expensive and easier to coordinate than pursuing multiple different litigations. The AIA and the Federal Circuit's decision in *In re EMC Corp.*, 677 F.3d 1351 (2012), are likely to blunt this trend. For example, in those multidefendant cases where the conduct or products accused of infringement bear little resemblance from one defendant to another, there may be joinder issues. *See* § 2.2.2.1.1. But other types of multidefendant cases may be unaffected by these changes in the law. For example, the alleged infringement may stem from the defendants' compliance with an industry standard, or where the patentee has sued both the manufacturer of the accused products and its downstream customers (e.g., OEM companies).

The court's ability to efficiently manage such cases may be enhanced by identifying at an early stage the patentee's basis for including multiple defendants in the litigation.

2.6.1.1 Multidefendant Litigations Based on Standards Compliance

Standards regulate almost all modern manufacturing. For example, every wireless device must conform to a wide variety of standards set by industry-specific standard-setting organizations (SSOs). These standards ensure interoperability between devices. When practicing a mandatory feature of a standard infringes a patent, however, each manufacturer's compliance with the standard becomes an act of infringement. Recently, there has been enormous growth in patent litigations accusing whole industries of patent infringement based on the practice of standards. Identifying this underlying fact at the outset of the litigation can improve the court's management of the case.

For example, if the alleged infringing activity is purely the compliance with a mandatory feature of the standard, then discovery regarding the functional specifications of the accused products can be fairly limited.

However, these types of cases almost always also involve complicated defenses and counterclaims related to the patentee's potential noncompliance with the policies of the SSO that govern the adoption of the standard. For example, the defendant may bring claims or defenses alleging that the patentee participated in the development of the standard without timely disclosure of its patents that were essential to the standard, in violation of SSO policies. Alternatively, the defendant may allege that the patentee has failed to offer a license on fair, reasonable, and nondiscriminatory (FRAND) terms, as most SSO policies require for patents that patentees declare essential to the standard. These allegations may form the basis for equitable, contract-based, and/or antitrust claims and defenses. *See, e.g.*, *Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004, 1020 (Fed. Cir. 2008) (holding patent unenforceable for implied waiver where the patentee "organiz[ed] a plan of action to shield the '104 and '767 patents from consideration by the JVT (Joint Video Team) with the anticipation that (1) the resulting H.264 standard would infringe those patents and (2) Qualcomm would then have an opportunity to be an indispensable licensor to anyone in the world seeking to produce an H.264 compliant product."); *Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297 (3d Cir. 2007) (holding that a claim for antitrust violations was stated based on a patentee's failure to offer a FRAND license). These additional claims and defenses can complicate the litigation and the scope of discovery.

Another consideration is that the defendants in these litigations are often competitors in the same industry (since they are all accused of practicing the same standards). Thus, confidentiality may be a significant consideration for certain issues, especially damages. This type of litigation lends itself well to bifurcating damages from liability, since the parties will likely share infringement and invalidity positions, but may vary on damages.

2.6.1.2 Customer/Manufacturer Multidefendant Litigations

To gain leverage over a manufacturer defendant, a patentee might join or separately sue the customers (e.g., OEM companies, distributors/resellers, etc.) of the

manufacturer's allegedly infringing products. Because the manufacturer may be jointly and severally liable with the customers for the damages flowing from the infringement, these customers are generally superfluous to the litigation. Often, the court will stay the cases against the customer defendants pending the resolution of the litigation against the manufacturer defendants to decrease litigation costs and to streamline the case.

In a case involving only customer defendants, the parties will likely need to take third-party discovery from the manufacturers of the accused product to prove or defend against infringement. Such discovery can be difficult and time consuming, and may raise complicated protective-order issues. A lack of access to the details of the accused third-party technology may inhibit a defendant's ability to adduce evidence of and develop contentions for its noninfringement theory. The court should be cognizant of these discovery complications in a case involving only customer defendants.

Under Federal Rule of Civil Procedure 42(b), a district court can hold separate trials on various issues or claims "for convenience, to avoid prejudice, or to expedite and economize." In cases involving both customers and manufacturer defendants, manufacturer defendants may seek to stay the proceeding as to the customer defendants when the claims against customer defendants are merely peripheral to the main claim. The court will stay the cases against the customer defendants, sometimes subject to consent from the customer defendants to be bound by the judgment against the manufacturer defendant.

In a case involving only customer defendants, a manufacturer that wishes to protect its customers may adopt one of two approaches: (1) to seek leave from the court to intervene in the suits against the customers or (2) to file a declaratory judgment action of noninfringement in another forum. Under the former circumstance, courts frequently grant leave to intervene. Under the latter circumstance, the original plaintiff may seek to stay, dismiss or transfer the manufacturer defendant's declaratory judgment action based on the first-to-file rule. *See Futurewei Techs., Inc. v. Acacia Research Corp.*, 737 F.3d 704, 708 (Fed. Cir. 2013). A manufacturer defendant, on the other hand, may invoke the "consumer suit exception" and seek an injunction from the court presiding over its declaratory judgment action to enjoin the original plaintiff from prosecuting the customer suits. The determination under the first-to-file rule and the "customer suit exception" often turns on the consideration of judicial efficiency, including whether "the issues and parties are such that the disposition of one case would be dispositive of the other." *See, e.g.*, *Proofpoint, Inc. v. InNova Patent Licensing, LLC*, 2011 U.S. Dist. LEXIS 120343, 2011 WL 4915847, at *7 n.5 (N.D. Cal. Oct. 17, 2011) (citing *Katz v. Siegler*, 909 F.2d 1459, 1463 (Fed. Cir. 1990)); *Contentguard Holdings, Inc. v. Google, Inc.*, 2014 U.S. Dist. LEXIS 51676, 2014 WL 1477670 (E.D. Tex. Apr. 15, 2014); *see also* Brian J. Love & James C. Yoon, *Expanding Patent Law's Customer Suit Exception*, 93 B.U. L. Rev. 1605 (2013) (proposing "resurrecting and expanding a forgotten patent law doctrine known as the 'customer suit exception,' which allows courts to stay patent suits filed against 'customer' defendants pending the outcome of litigation between the patentee and the accused technology's manufacturer").

2.6.2 Spoliation

Because of the potential penalties if a court finds that documents have been destroyed, the issue of spoliation and, specifically, whether the parties have taken reasonable steps to preserve relevant evidence often becomes a satellite litigation to the primary patent litigation. This issue is particularly prevalent where the plaintiff is a nonpracticing entity, who may have few documents to preserve and produce,[10] and the defendant is a large company with many documents that are potentially relevant to the litigation. Addressing this issue early in the litigation may allow the court to curb the issue before it consumes the court's time and the parties' resources. Section 4.4.2.1 discusses analyzing accusations of spoliation as the case progresses.

2.6.3 Early Claim Construction

Faced with the growing number of cases with tens (or hundreds) of defendants, some courts have taken an active case-management role by requiring the parties to identify claim terms, which if construed, they believe will dispose of all or a significant portion of the case. The court then proceeds to construe those claim terms on an expedited schedule. In some cases, the court orders parties to submit their claim-construction briefing via shorter than normal briefs and without any expert discovery. In the Eastern District of Texas, this approach has encouraged early resolution where it appears that the plaintiff only wants nuisance settlement values. *See, e.g.*, *Glob. Sessions LP v. Travelocity.com, LP et al.*, 2011 U.S. Dist. LEXIS 155901 (E.D. Tex. Aug. 18, 2011).

10. An NPE that has an established licensing campaign and/or past history of litigation may have many documents that it has a duty to preserve. *See, e.g.*, *Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311, 1315–19 (Fed. Cir. 2011) (finding spoliation on behalf of a nonpracticing entity).

Table 2.8
Issues Susceptible to Early Motions to Dismiss or Summary Judgment

Issue	Implications
Inequitable conduct defenses	See discussion of inequitable conduct at § 2.2.3.3.2.1. The standards set by the Federal Circuit in *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312 (Fed. Cir. 2009) (pleading requirements), and *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (proof of materiality and intent), will render this defense susceptible to an early motion to dismiss. If this issue is eliminated at an early stage, discovery will be narrowed (sometimes significantly).
Patentable subject matter	See discussion of § 101 of the Patent Act at § 6.2.1.1.1.
Extraterritoriality	It is increasingly common for plaintiffs to accuse acts committed abroad of infringement of U.S. patent law under either § 271(f) or § 271(g), either alone or in combination with § 271(b). Often, there are easily ascertainable facts regarding the contacts of the defendants with the United States that could lead to early resolution of claims or defenses on the basis of extraterritorial conduct.
Willfulness	As discussed in detail in § 6.2.1.4, the Federal Circuit's decision in *In re Seagate Tech., LLC,* 497 F.3d 1360 (Fed. Cir. 2007), requires proof that the defendant both objectively and subjectively willfully infringed the asserted patent. Often, there is evidence that can be produced early in the litigation that objectively demonstrates no willful infringement.
Is this a multidefendant litigation where the infringement theory is based on the defendants' compliance with certain industry standards? *See* § 2.6.1.1.	The court can sometimes significantly narrow the scope of fact discovery since infringement will largely rise and fall based on whether the standard infringes and whether the defendants assert that they comply with the standard.
Is this a multidefendant litigation where some of the defendants are customers accused of selling infringing products, and other of the defendants are manufacturers accused of making those same products? *See* § 2.6.1.2.	It may be possible to stay the cases against the customer defendants and allow the case to proceed against the manufacturer, who will be joint and severally liable with each of its customers.

Issue	Implications
Is this a multidefendant litigation that is not based on compliance with standards?	Case-management efficiency considerations may counsel in favor of breaking up the case into multiple cases based on similarity of accused products or relationships between the defendants.

2.6.4 Patentable Subject Matter

The Supreme Court's decisions in *Bilski v. Kappos*, 561 U.S. 593 (2010), *Mayo Collaborative Services v. Prometheus Laboratories*, Inc., 132 S. Ct. 1289 (2012), *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013), and *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), have invigorated patent eligibility limitations. *See* § 14.3.1.2.5. Since most extant patents were drafted and issued prior to these decisions, there has been a substantial rise in the number of motions to dismiss and seek summary judgment on patent eligibility grounds. Many of these cases have involved allegedly abstract business methods and diagnostic methods allegedly lacking inventive application of a law of nature. The courts have characterized patent eligibility as a question of law, which implies that patent eligibility could potentially be resolved through a motion to dismiss or summary judgment. *See, e.g.*, *buySAFE, Inc. v. Google, Inc*., 765 F.3d 1350 (Fed. Cir. 2014) (affirming grant of defendant's motion for judgment on the pleadings under Rule 12(c), concluding that asserted claims were not patent eligible); *see also Mayo Collaborative Servs.*, 132 S. Ct. at 1304 (rejecting government's suggestion to "substitute §§ 102, 103, and 112 inquiries for the better established inquiry under § 101").

Notwithstanding these indications that patent eligibility can be addressed early in cases involving simple business methods or broad claims to laws of nature or physical phenomena, it remains to be seen how courts will apply the "abstract ideas" and "inventive application" doctrines to more complex inventions. *See* § 14.3.1.3. District judges will need to understand the claimed invention, which could involve claim construction as well as learning the background science and technology. Disputes over scientific theories and what is an inventive, as opposed to a routine or conventional, application of scientific principles could well involve subsidiary factual determinations. It is unclear to what extent factual disputes surrounding these issues should be left to the jury. *Cf. Teva Pharms.*, 135 S. Ct. 831 (2015); *Markman*, 517 U.S. 370 (1996). At a minimum, the court might want to await discovery and a tutorial on the background science and technology before addressing complex patent eligibility questions.

2.6.5 Early Motions to Dismiss Indirect Infringement and Willfulness Claims

Indirect infringement and willfulness both require that the accused infringer knew of the asserted patents prior to the litigation. Indirect infringement is also predicated on an act of direct infringement. *See* § 14.4.1.3. Claims of indirect infringement and willfulness, therefore, are susceptible to early determination.

Indirect infringement claims frequently arise in cases involving patents with method claims. In these cases, a patentee's only practical cause of action will often be for indirect infringement against the manufacturer of a product alleged to practice the method claim. In these circumstances, there are numerous ways in which a court can surface early case-dispositive weaknesses. For example, if no single entity is responsible for the performance of each step of the claim, it may be fatal to the patentee's case. *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111 (2014). Alternatively, if the accused product is capable of many non¬infringing uses and the manufacturer exerts no control over its customers, the claim will likely fail. Although the Federal Circuit has held that a method claim can be infringed where multiple parties combine to perform the claimed steps "if one party exercises 'control or direction' over the entire process such that every step is attributable to the controlling party, i.e., the 'mastermind,'" *see Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329 (Fed. Cir. 2008), such "control or direction" requires a "principal–agent relationship or like contractual relationship." *Aristocrat Techs. Austl. Pty. Ltd. v. Int'l Game Tech.*, 709 F.3d 1348, 1363 (Fed. Cir. 2013).

2.6.6 Damages Theories and Proof

The damages-related aspects of patent infringement cases present special case-management challenges for the district court. In large part, this results from the fact that damages law is evolving rapidly in ways that alter or render obsolete methodologies for valuing patent damages (albeit often under protest from one of the parties). *See* § 14.4.3.2.1.4.1. It also results from the fact that the parties in most cases do not focus the same energy on damages that they do on liability issues, in part because districts that require comprehensive liability disclosures do not require them for damages. Another factor is that expert testimony concerning damages, unlike the typical expert opinion on patent liability issues, implicates and can draw from economic, mathematical, and financial valuation methodologies that are peer-reviewed and testable, as well as industry experience in patent valuation in the licensing and acquisition context. The interplay between this body of established non-patent-litigation valuation methodologies and the *Georgia-Pacific* factors commonly used to calculate damages in patent cases creates myriad disputes about the reliability of that testimony.

As a result of these and other factors, many patent cases involve challenges to the damages theories and evidence presented by one or both of the parties. This usually occurs in the context of *Daubert* challenges to damages-related expert testimony. *See* § 7.4. District courts have struggled to resolve disputes about whether the methodology used by a damages expert to reach his or her conclusions is both legally viable and reliable, or whether he or she applied that methodology reliably to the facts of the case before trial. Although courts have the tools to resolve such disputes early, they are rarely raised before the pretrial stage. As a result, a court that believes that a damages expert's opinions may not be reliable usually faces imperfect options: (1) excluding the expert and leaving the party with no expert testimony regarding damages at trial; (2) continuing the trial date and providing the party proffering the expert a do-over; or (3) allowing the testimony, despite its reservations, with the be-

lief that the jury will see the weakness in the opinions and the intent that, if not, the court will correct the outcome through remittitur, JMOL, or a motion for new trial. *See, e.g.*, *Intellectual Ventures I LLC v. Xilinx, Inc.*, 2014 U.S. Dist. LEXIS 54900, 2014 WL 1573542 (D. Del. Apr. 21, 2014) (refusing to allow patentee's expert to revise his report after determining the report was unreliable, forcing the patentee to rely on the defendant's expert testimony instead); *Golden Bridge Tech. Inc. v. Apple, Inc.*, 2014 U.S. Dist. LEXIS 67238, 2014 WL 1928977 (N.D. Cal. May 14, 2014) (striking damages expert's report but permitting a do-over on the eve of trial); *Golden Bridge Tech. Inc. v. Apple, Inc.*, 2014 U.S. Dist. LEXIS 76339, 2014 WL 4057187 (N.D. Cal. June 1, 2014) (striking damages expert's do-over report and denying a second do-over, as trial had begun).

Section 7.4.2 suggests effective ways to reduce the likelihood that fundamental disputes about damages theories and evidence are relegated to the eve of trial. Resolving such disputes about damages earlier in the case is difficult, in large part because the parties do not vet damages contentions as thoroughly as infringement and validity contentions. Under Federal Rule of Civil Procedure 26(a)(1)(3), a party claiming damages must provide as part of its initial disclosures "a computation of each category of damages claimed" and produce the documents and materials on which each computation is based. However, courts have not used this provision to compel a meaningful, early disclosure of the amount of damages claimed or the method by which they are computed in patent cases, apparently believing that claim construction and some damages discovery is necessary before a meaningful disclosure can fairly be compelled. *See* § 4.2.2. The parties usually exchange infringement and invalidity contentions during fact discovery, either in accordance with local rules or through interrogatory responses, which ensures that both parties are aware of the theories of infringement and invalidity in the early to middle stages of the case. By contrast, the parties' first disclosure of damages theories typically comes through the exchange of expert reports served after the close of fact discovery and concurrently with expert reports regarding infringement and invalidity. This creates two problems. First, because parties have not yet taken positions about damages, they cannot raise with the court in the early or middle portions of a case potential legal flaws or other issues that may render an expert opinion unreliable, as is commonly done with respect to disputes about infringement and invalidity theories. Second, *Daubert* challenges are necessarily relegated to the end of the case.

Recognizing this systemic problem, courts have begun experimenting with various mechanisms to encourage proper vetting of damages positions and opinions earlier in the case schedule. Here are several options:

Damages contentions. In jurisdictions that presently require parties to exchange infringement and invalidity contentions, the patentee could be required to provide damages contentions that (1) identify the type of damages sought (lost profits, reasonable royalty, or both); (2) provide an explanation of the specific theories and methodologies the patentee intends to use to value the infringement for which damages are sought; and (3) identify a range within which its ultimate damages number for each accused instrumentality is expected to fall. To enable the patentee to provide this information reliably, the accused infringer could be required to produce, along

with its invalidity contentions, financial documents related to the accused instrumentalities (just as it is presently required to produce technical documentation concerning the accused instrumentalities). The patentee's deadline for serving such damages contentions could be set at a reasonable time (e.g., forty-five days) after the accused infringer's document disclosure. Although not specifically directed to expert testimony, these disclosures would require the patentee to identify its theories early in the case, would enable the accused infringer to disclose rebuttal damages theories in response to a contention interrogatory served during fact discovery, and would put parties in a position to challenge each other's legal and factual bases for damages positions earlier in the case.

Courts have elicited damages contentions in several ways. Judge Sue Robinson (D. Del.) requires the plaintiff to identify its damages model and accused products as part of its initial disclosures. *See* Patent Scheduling Order, § 1(c)(2) (Judge Sue Robinson, Feb. 15, 2015). Judge Cathy Ann Bencivengo (S.D. Cal.) has ordered preliminary damages disclosure in one of her patent cases:

> Preliminary Damages Disclosure
>
> Plaintiff will serve on each defendant a preliminary damages disclosure with the following information, no later than May 19, 2015 . . . :
>
> - Identifying the period for which it contends that defendant is liable for damages and the nature of the damages it will seek, lost profits and/or reasonable royalty;
> - If plaintiff is seeking a reasonable royalty, in whole or as part of its damages, plaintiff will identify the royalty base to which it contends a reasonable royalty may apply and whether any apportionment would be appropriate; and
> - Plaintiff will disclose and serve all license agreements it has entered into covering the patents at issue, whether entered into before or after the start of a litigation (i.e., licenses arising from settlement of litigation). The production of licenses is subject to the highest level of confidentiality (attorneys' eyes only) unless the plaintiff designates them otherwise. . . .

Case Management Order, *In re West View Research, LLC Patent Cases* (S.D. Cal. Apr. 25, 2015). Magistrate Judge Elizabeth Laporte (N.D. Cal.) encouraged the plaintiff to disclose its damages theory in answering defendants' request for additional information under Rule 26. *Eon Corp IP Holding LLC v. Sensus USA Inc.*, 2013 U.S. Dist. LEXIS 32632, 2013 WL 3982994, *2–3 (N.D. Cal. Mar. 8, 2013). The court noted, however, that although early damages disclosure was ideal in theory, the many variables (type of defendant, product, availability of information" that courts and plaintiffs must consider in such disclosures makes their practice "challenging." Judge Laporte explained that

> [c]ourts must balance competing considerations when evaluating the extent and specificity of early damages disclosures that should be made in patent cases, including: the desirability of narrowing issues at an early stage versus the disclosure of strategically sensitive information; the possibility of settlement versus the early intrusion of expensive discovery requests and disputes; and the need for early disclosures versus the need for costly expert analysis that may be premature. . . . [A]n early estimate of the order of magnitude of damages at issue (e.g., less than $10 million; $25 million; more than $100

million) is important to the application of the principle of proportionality set forth in Federal Rule of Civil Procedure 26(b)(2)(C)(iii) to ascertain the burden and expense of discovery that is warranted.

Accelerated discovery schedule for damages. The court could elect to set an accelerated schedule for fact and expert discovery related to damages. For example, the court could require all damages-related discovery to be completed within two to three months before the fact-discovery deadline for other issues, and then require expert reports regarding damages to be served within a reasonable time thereafter (e.g., by applying the same gap between the close of damages discovery and service of the opening damages report as is set between the close of liability discovery and service of opening liability reports). Because it would allow the court to set a damages-related *Daubert* schedule that starts two to three months before summary judgment, this approach would provide sufficient time for the court to allow a one-time opportunity for a party whose proffered damages opinions are excluded to correct the deficiencies, if that opportunity is warranted, without moving the trial date. One notable example of an accelerated schedule for damages discovery is the so-called Track B in the Eastern District of Texas. The Track B Initial Patent Case Management Order was designed to complement the existing patent-case-management scheme (Track A). *See* General Order 14 – 03 General Order Regarding Track B Initial Patent Case Management Order (E.D. Tex. Feb. 25, 2014). Under Track B, the parties are required to submit a "good faith damages estimate" early in the case and are afforded significantly less discovery than under Track A. Track B, however, implements a much tighter schedule than Track A, presumably to facilitate early disclosure of infringement and invalidity contentions. Both parties can consent, or the court can order the case to be put on Track B. Table 2.9 summarizes Track B's schedule. During this initial phase of the case, discovery is limited to five interrogatories, RFPs and RFPs per side absent leave or stipulation.

Table 2.9
Eastern District of Texas's Track B

Deadline	Event
14 days after answer	Patentee discloses infringement contentions and licensing disclosures.
44 days after answer	Initial disclosures and summary sales information for accused & "reasonably similar" products.
58 days after answer	Good-faith damages estimate + method of calculation.
72 days after answer	Accused infringer discloses invalidity contentions.
77 days after answer	Parties file notice of readiness for case-management conference.

Clear identification of "do-over" policy. Given the costs and time needed to prepare expert damage reports, the critical importance of such evidence to many patent cases, and the uncertainty surrounding the admissibility of damages evidence, courts

should work with the parties to establish ground rules for allowing a party to rectify or substitute a damages report. Such a policy could deal with timing as well as scope.

At a minimum, such a discussion could surface the disputes that could arise and provide clues to the types of damages theories that are unlikely to be admissible and those that are. The Federal Circuit has moved away from formulaic damages theories (25% rule, Nash bargaining solution, entire market value rule) and moved toward other approaches (prior license agreements, smallest saleable patent-practicing unit as the basis for reasonable royalty calculations). Discussing how these doctrines apply to the particular facts and circumstances of the case could reduce the risks that the plaintiff will be left without a viable damages theory at the time of trial.

Early consideration of Daubert challenges and/or damages theories. Relatedly, the court could set an early schedule for consideration of *Daubert* challenges in appropriate cases. Alternatively, the court could vet the core damages theories early, leaving opportunity for narrower challenges after discovery and completion of the final expert report.

Judge Alsup's experience with early submission of an expert damages report in *Oracle America, Inc. v. Google Inc.*, however, was not regarded as a complete success. 798 F. Supp. 2d 1111, 1121–22 (N.D. Cal. 2011). Although the vetting process did not meet with his expectations, he was able to set some parameters on acceptable damages theories (foreshadowing the Federal Circuit's decision in *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1332–34 (Fed. Cir. 2014) (questioning the Nash bargaining solution as an apportionment theory)) and warn the parties of the risks of questionable methodologies.

Bifurcation or reverse bifurcation. Depending on the circumstances and opportunities for settlement, the court could bifurcate liability and damages. *See* § 8.1.1.3. Trying damages first could be advantageous where the potential damages might be found to be modest and the liability issues are complex.

Independent or court-appointed damage experts. When the imprecise and speculative quality of economic methodology mixes with the polarizing nature of trial advocacy, the resulting economic testimony can be widely disparate and confusing. Courts might wish to appoint a respected and neutral expert to either present their own damages report or to comment on the reports of the parties' experts. *See* Fed. R. Evid. 706; J. Gregory Sidak, *Court-Appointed Neutral Economic Experts*, 9 J. Competition Law & Econ. 359 (2013) (discussing Judge Richard Posner's use of court-appointed damages expert); *cf. Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 149–50 (1997) (Breyer, J., concurring) (encouraging, in a toxic torts case, the use of neutral experts to "overcome the inherent difficulty of making determinations about complicated scientific, or otherwise technical, evidence"); *In re Payment Card Interchange Fee & Merchant Discount Antitrust Litig.*, 2012 U.S. Dist. LEXIS 153637, 2012 WL 3932046 (E.D.N.Y. Mar. 19, 2013), ECF No. 1908 (Gleason, J.) (appointing a neutral economic expert to advise on "economic issues that may arise in connection with . . . final approval of a [$7.25 billion] proposed settlement" of an antitrust class action against Visa and MasterCard"); Joe S. Cecil & Thomas E. Willging, Court-Appointed Experts: Defining the Role of Experts Appointed Under Federal Rule of Evidence 706 (Federal Judicial Center 1993). Although it adds some additional costs and com-

plexities at the front end of the process, such as defining the expert's role and compensation, an independent expert can solve problems that can emerge later in the litigation. Broaching this possibility early in the case-management process could unmask lurking problems and potentially elicit creative solutions to the economic damages quandary. It also offers the court some insurance of where the parties are contemplating speculative damages theories. *But see Oracle Am., Inc. v. Google Inc.*, 2012 U.S. Dist. LEXIS 132696, 2012 WL 4017808 (N.D. Cal. Apr. 10, 2012) (striking parts of court-appointed economic expert's report).

These approaches, or others, could be utilized alone or in combination, depending on the circumstances. In some cases, none of these approaches may be practical or warranted. Even in the best circumstances, these approaches can present the court and the parties with new challenges and unintended consequences. Nonetheless, they avoid relegating damages-related disputes to the end of the case, where the court has few practical options to resolve them equitably.

As is evident from the nature of these suggestions and this discussion, there is no one-size-fits-all approach to solving this problem. But courts should, in most patent cases, discuss with the parties the timing and nature of damages discovery and the timing of damages-related *Daubert* proceedings to determine whether these or other damages-specific provisions should be adopted. Moreover, case-management techniques that clarify the parties' damages positions and the theories supporting them early in the case have the side benefit of encouraging settlement. Once parties know the damages playing field, they will be better equipped to value the risk of the litigation and evaluate settlement positions. For all of these reasons, discussing the timing and nature of damages-related disclosures and discovery at the case-management conference stage is very important. If the parties and the court do not address these issues early in the case, they will be locked into a schedule that, in almost all cases, will limit the practical options that are available to resolve damages-related *Daubert* challenges and other disputes.

2.6.7 Nuisance-Value Litigation

In recent years, patent infringement cases that appear to have been filed simply to extract a nuisance-value settlement from a large number defendants have proliferated. Such cases, if they are not resolved quickly, have the potential to clutter the court's docket and drain resources from other cases. However, given the highly technical nature of patent cases, it can be very difficult for a court to distinguish between nuisance-value cases and cases in which both parties genuinely seek resolution of the allegations by the court or a jury. Paradoxically, recent developments in venue-transfer law by the courts, and the joinder provisions enacted by the AIA, which intended to reduce nuisance-value litigation, can make it even more difficult to identify such cases. Under the AIA, fewer defendants are likely to be aggregated in any one case or judicial district. By engaging in active case management from the outset of the case, however, courts can drive the parties in such cases toward settlement. Moreover, requiring exchanges of contentions early in the case and permitting first-track summary judgment motions (as discussed fully in Chapter 6) allows the court

to resolve such cases on the merits when they do not settle and, for that reason, also promotes settlement. Requiring the parties to participate in an early ADR process can help set the parties' expectations about the significance and costs of the case. Because these techniques are generally good practice, they do not require the court to identify and distinguish between nuisance-value cases and those with greater merit.

2.6.8 "Proportional" Scope of Discovery

On December 1, 2015, the U.S. Supreme Court adopted a number of amendments to the Federal Rules of Civil Procedure. Among these is an amendment to Rule 26(b) that limits the scope of discovery to "any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case . . . ." The "proportionality" requirement is expected to better focus courts and litigants on the expected contribution of discovery to the resolution of the case, and is intended to help achieve the "just, speedy, and inexpensive determination" of litigation. Because one factor to be considered in determining proportionality is the amount in controversy, district courts can benefit from a reasoned conversation with the parties at the first case-management conference about the scope of the case, the nature and amount of the relief sought (as mentioned in the previous sections above), and how the case compares to other patent cases, with as much specificity as is possible. This discussion can then provide a useful baseline to judge proportionality as the case progresses, with the understanding that developments in the case or information obtained in discovery may warrant revision of what further discovery is considered "proportional."

2.7 Settlement and Mediation

The vast majority of patent cases (about 95%) settle, but often not until late in the case. In the meantime, the litigation can be extremely expensive for the parties. According to an industry survey, each side can expect to spend from $1.7 to $3.6 million in fees through the close of discovery, and between $2.8 and $5.9 million in total through trial. *See* § 1.2. Some cases can be substantially more expensive to litigate and try. Bringing the case to settlement on the eve of trial also squanders judicial and party resources. Consequently, early settlement is usually in everyone's best interest.

Most parties to patent litigation recognize the high economic stakes, uncertainty, and legal costs involved. Nevertheless, various impediments to settlement—ranging from the relationships between the particular parties to institutional issues arising out of the nature of some patent litigation—often prevent parties from settling cases without some outside assistance.

To overcome these impediments, courts should promote dialogue between the parties and, when the circumstances allow, settle them earlier in the litigation. Early judicial intervention, usually at the first case-management conference, can be a critical factor in bringing about settlement. Such initiative by the court emphasizes to the

parties that the court wants them to actively consider settlement strategies as well as litigation strategies throughout the case.

Effective judicial encouragement of settlement involves several considerations: (1) appropriate initiation of mediation; (2) selection of the mediator; (3) scheduling of mediation; (4) delineating the powers of the mediator; (5) confidentiality of the mediation process; and (6) the relationship between mediation and litigation activities. Additional considerations come into play in multiparty and multijurisdictional cases.

2.7.1 Initiation of the Mediation Process

Many courts require, either by local rules or standardized order, that counsel for the parties discuss how they will attempt to mediate the case before the first case-management conference and that they report either their agreed plan or differing positions to the court at the conference. By requiring this early discussion, the court eliminates any concern that the party first raising the possibility of settlement appears weak. This can be particularly important at the outset of a case when attitudes may be especially rigid, posturing can be most severe, and counsel may know little about the merits of their clients' positions.

Whether or not the parties have agreed on a settlement discussion strategy, the court should address the subject at the conference and encourage the litigants to develop and evolve settlement strategies along with their trial strategies. The court should make it clear that it values the mediation effort and expects that the parties will give it similar importance. Thus, the court can assure that settlement efforts receive ongoing attention as the case progresses.

At the case-management conference, the court should order the parties to meet once with a specified mediator (or a mediator to be chosen according to a specified process) prior to a fixed deadline. If either party resists mediation, the court should order participation, as it is empowered to do. *See* 28 U.S.C. § 652(a) (Supp. 1998). A party's initial insistence that it will not consent to the mediation, will attend against its will, or has no interest in compromising its rights are positions that evidence more a lack of sophistication than a strategy. Experienced mediators routinely settle cases notwithstanding claims that "this case can't be settled."

2.7.2 Selection of the Mediator

Courts can identify successful mediators for patent cases from a variety of sources: other judges and magistrate judges, retired judges, professional mediators and practicing lawyers. In some courts, the trial judge serves as mediator, but this requires the express consent of the parties. Committee on Codes of Conduct, Judicial Conference of the United States, Code of Conduct for United States Judges Canon 3A(4) (1999). Many judges decline to act in this role because they believe that it is difficult to have the requisite candid discussion with parties and their counsel and later objectively rule on the many issues the court must decide. *See Fed. Trade Comm'n v. Freecom Commc'ns, Inc.*, 401 F.3d 1192, 1208 n.9 (10th Cir. 2005) (judges

in nonjury cases should be especially hesitant to involve themselves in settlement negotiations); Wayne D. Brazil, Settling Civil Suits: Litigators' Views About Appropriate Roles and Effective Techniques for Federal Judges 84–99 (1985) (noting substantial attorney discomfort with trial judge's involvement in settlement negotiations).

The best choice is often a professional mediator with a record of successfully resolving patent litigation. A practicing patent attorney may have deeper knowledge of patent law, but that depth of knowledge, particularly in the details of patent prosecution, is unlikely to be useful in the mediation. The most useful attribute is the professional mediator's ability to diffuse discord and build consensus between the parties. It is important that the parties have confidence that the appointment was based on the mediator's skills and past success. Where the parties agree on a mediator, the court should usually appoint that person so that the authority of the mediator is clear.

To help judges choose mediators, some courts ask parties, attorneys, and mediators to evaluate the private mediation process confidentially at the conclusion of cases. This practice also has the advantage of putting mediators on notice that the court will monitor their performance. Forms used by the Northern District of Illinois for such an evaluation are attached as Appendices 2.4a, 2.4b, and 2.4c.

2.7.3 Scheduling the Mediation

In scheduling the first meeting with the mediator, the court should take into account the amount of time that the parties will need to become familiar with the principal issues, strengths, and weaknesses of the case as well as the risks and ramifications of the case for their businesses. Counsel typically reach this level of comprehension by the time that they file *Markman* briefs.

The mediator usually schedules the subsequent mediation sessions. The mediator has greater flexibility in arranging the meetings because, unlike a court, a mediator can consult with counsel, together or separately, to obtain their views and prepare for the next meeting.

In scheduling sessions, a mediator needs to take into account the progress of the case and how the stages of the litigation contribute to productive settlement discussions. For example, the mediator may conclude that a session should be held between briefing and hearing claim construction or summary judgment when positions are fully exposed, and the uncertainty of outcome can lead to compromise. *In limine*, *Daubert*, and other pretrial motions create similar opportunities. Substantive mediation preferably occurs before the intense and expensive period of trial preparation. Nevertheless, because many cases are settled only with the immediate uncertainty of trial, mediation efforts should continue through the pretrial process. Mediation after a jury verdict, but before the resolution of posttrial motions, can also be effective, especially in cases in which legal issues such as inequitable conduct and injunctive relief remain to be resolved.

2.7.4 Powers of the Mediator and Who Should Be Present During Mediation

To maximize the likelihood of successful mediation, the mediator must have the power to require certain actions. Most importantly, the mediator should be empowered to require, or the court should be prepared to order, that the parties participate in the mediation. Participation includes attendance by the most appropriate client representative. The common insistence that someone "with full settlement authority" attend the mediation is insufficient in patent cases because a person with authority does not necessarily have the requisite motivation to engage in meaningful compromise. For the typical corporate business entity, the person with the necessary authority and motivation may be a licensing executive; for the alleged infringer, it may be a manager of the operating unit responsible for the accused product or service whose budget will absorb the costs of the settlement and any judgment. Merely because in-house counsel oversees the litigation and has authority to settle does not mean that person is the most appropriate party representative.

The mediator may need to resolve disagreements about the relative seniority of party representatives. If litigants are of similar size, this usually is not a problem. But when one company is much smaller—for example, either a start-up competitor or a patent-holding company—it likely will be represented by its chief executive officer, and it may attempt to compel attendance of the chief executive of the larger entity. This approach can sometimes be counterproductive because it forces participation by someone who lacks sufficient knowledge and resents having to attend. It is more important that the representative of the large entity be someone with responsibility for and knowledge of the relevant portion of that entity's business.

The mediator may also need to address how to obtain approval of a settlement when no one person has settlement authority, and any outcome must be approved by a governing board. Where an entity requires board approval of a settlement, the entity is typically represented at the mediation by an individual. If the mediation is successful, the mediator should require that the representative commit to recommend the unconditional approval of the settlement to the board and require that the board act by a fixed date.

Another important power for a mediator is the right to exclude particular individuals from the process. For example, one or more of the parties' counsel or an individual, such as an inventor or a technical director, may be too deeply involved in the merits of the dispute to be constructive. Particularly for major cases, it can be useful to require the parties to be represented by attorneys other than lead litigation lawyers. They tend to be preoccupied with the merits and events of the litigation and sometimes find it difficult to communicate productively with each other.

2.7.5 Confidentiality of the Mediation

To maximize open communication and candor, everything submitted, said, or done during the mediation should be deemed confidential and not be available for use for any other purpose. Confidentiality is usually required by agreement of the

parties or by court order or rule. *See, e.g.*, N.D. Cal. Patent L. R. 6-11 (broadly prohibiting disclosure or use outside the mediation of anything said or done in the mediation). Generally, the confidentiality requirements go beyond the evidentiary exclusion of Federal Rule of Evidence 408 and assure that the parties, their counsel, and the mediator can candidly discuss the facts and merits of the litigation without concern that statements might be used in the litigation or publicized. Given the importance of confidentiality to the mediation process, the court should be prepared to enforce these confidentiality guarantees strictly.

This same concern for confidentiality usually precludes reports to the trial judge of anything other than procedural details about the mediation, such as the dates of mediation sessions, or a party's violation of court rules or orders requiring participation. *See* Robert Niemic, Donna Stienstra & Randall Ravitz, Guide to Judicial Management of Cases in ADR 111–14, 163–64 (Federal Judicial Center 2001) [hereinafter *FJC ADR Guide*] ("An attorney-neutral should protect the integrity of both the trial and ADR processes by refraining from communicating with the assigned trial judge concerning the substance of negotiations or any other confidential information learned or obtained by virtue of the ADR process, unless all of the participants agree and jointly ask the attorney-neutral to communicate in a specified way with the assigned trial judge."); Am. Bar Ass'n, Civil Trial Practice Standards § 23e (2007) [hereinafter ABA Standards] ("The court should not communicate *ex parte* with any third-party neutral, including a senior, magistrate or other judge, involved in an alternative dispute resolution mechanism about the course of negotiations or the merits of the case."). "Public confidence in both the trial and settlement processes can be undermined if direct communication is permitted between the attorney/neutral and the assigned trial judge regarding the merits of the case or the parties' confidential settlement positions." *FJC ADR Guide* at 164.

In addition to being confidential, briefing and communications relating to mediation may be privileged against discovery in future litigation. *See, e.g.*, *Sheldone v. Pa. Tpk. Comm'n*, 104 F. Supp. 2d 511, 515 (W.D. Pa. 2000).

2.7.6 Relationship of the Mediation to the Litigation Schedule

Absent a final settlement, a case usually proceeds as scheduled without regard to mediation events. *See* ABA Standards § 23(f) (2007) ("The court ordinarily should not delay proceedings or grant continuances to permit the parties to engage in settlement negotiations.") This approach assures that the litigation is not unnecessarily delayed and encourages the parties to mediate diligently.

Arranging early discovery of needed information or scheduling early consideration of a potentially important summary judgment motion may make it possible for the parties to consider settlement earlier in the case. The patent owner, for example, may believe it needs software code, chemical formulation details, or other information not available by buying or using the infringing product or service. Alternatively, the parties may dispute the existence of an invalidating prior sale of the pa-

tented invention. This scheduling can be facilitated by the mediator at an early meeting with the parties.

Mediation is sometimes held while a critical case event is pending—for example, after the briefing and hearing of a preliminary injunction or summary judgment motion, but before the court decides the motion. In some courts, judges and mediators regularly communicate about scheduling to maximize these settlement opportunities. By providing the parties with an expected schedule for deciding the motion, the court can encourage them to focus on completing a settlement before the deadline. If the parties are productively engaged in mediation at the deadline, some judges continue to delay issuing a decision where the mediator and the parties so request.

2.7.7 Mediating Multiparty and Multijurisdictional Cases

Not all patent cases involve a single plaintiff and defendant in a single court. When in the typical multiparty case the patent owner asserts that the alleged infringers acted independently, separate mediation meetings can be scheduled for each alleged infringer. This allows the opportunity to negotiate settlements with each defendant based on the unique facts and market forces relevant to that party. It also allows the defendants interested in settling early to mediate without the interference of others who may wish to litigate the dispute through a later stage of the case.

Multijurisdictional cases often arise when a party sued on a patent brings a countersuit against the plaintiff in another court, asserting infringement of its own patent. In some circumstances, however, parties may find themselves in unrelated patent litigation in multiple courts because different business units of at least one of the parties have proceeded independently.

Settlement efforts normally should not be delayed in one court because of proceedings in another court. The parties should be required to comply with the court's usual mediation planning requirements. If the parties report active engagement in mediation in another jurisdiction, the court can delay ordering further mediation while they complete those efforts. In the mediation of multijurisdictional suits, the parties will make clear the scope of settlement they are prepared to negotiate. If the multiple cases are countersuits, cases in both courts will be settled. If the separate suits are the result of the independent actions of separate business units, one party may assert that the second suit will not be part of any settlement. Should its opponent disagree, the mediator will have to decide whether to force the discussion of the second suit—likely requiring the attendance of party representatives of the second business unit—or focus the discussions on the single case.

2.7.8 Factors Affecting the Likelihood of Settlement of Particular Categories of Cases

Like other aspects of patent litigation, settlement dynamics vary with the nature of the parties. While every case involves a multitude of individual settlement issues, categories of cases also reflect common traits and pathologies. The following chart summarizes the settlement issues and patterns associated with the most common

types of patent disputes and provides insights into how and when settlement can be most effectively fostered:

Table 2.10
Settlement Considerations

Case Category	Settlement Issues
Competitor vs. Competitor—Core Technology	Difficult to settle absent a counterclaim or other significant risk to the patent owner or strategic opportunity available from business agreement. Meaningful mediation likely to require participation from senior officers of the parties. Agreement may present antitrust issues if the parties have large cumulative market share.
Competitor vs. Competitor—Noncore Technology	Likely to settle through mediation, potentially early in the litigation. Litigation may be the result of failed effort to negotiate license prior to litigation, with litigation intended to add additional negotiating leverage.
Large Enterprise vs. Start-Up/New Entrant	If no other competitor offers substantial equivalents of claimed patented technology, the established company may not settle without eliminating start-up's use of technology. The suit nevertheless may raise costs for the start-up to the point of forcing a settlement, potentially including acquisition of the start-up. If other competitors exist, settlement is likely, potentially early in litigation. Suit may be timed to critical event for start-up (e.g., new product offering, additional investment, public stock offering, or merger), in which case potential windows for settlement are very early in the litigation or just after the event.

Case Category	Settlement Issues
Licensing Company vs. Large Enterprise	The likelihood and timing of settlement depends on several factors: (1) the amount demanded—for example, the licensing company may intend future litigation against others and is seeking to build necessary funding through the current suit, in which case the demand may be modest and early settlement possible; (2) the size of the licensing company's portfolio—if the current suit likely is the first of several expected, a license to the patentee's entire portfolio can be an attractive settlement; (3) reputational effects: whether the large enterprise had or expects litigation with the patent owner or other licensing companies—several large companies believe, sometimes based on policy, that settling such suits encourages additional licensing company litigation, in which case settlement may not be possible until substantive rulings create a substantial risk of an adverse outcome for one of the parties or the enterprise has achieved its reputational goals; and (4) strategic alliances: whether the licensing company and large enterprise can join forces against the defendant's competitors—a settlement, potentially early in the litigation, may be based on an agreement allowing the enterprise to use the licensing company's portfolio against its competitors.
Licensing Company vs. Start-Up Enterprise	Such suits often are timed to critical events for the start-up. Very early settlement or settlement after the start-up accomplishes the event is likely. Obtaining participation from senior start-up company officers while the critical event is pending can be difficult and may justify telephone or other non-traditional participation in the mediation.
Serial Litigant: Patent Owner vs. First Alleged Infringer	Such patent owners face the collateral risk that an adverse *Markman* or other substantive ruling dooms not just this case, but the entire flotilla behind it. On the other hand, while a win cannot be used as collateral estoppel in subsequent suits, it can be persuasive in them, especially if they are brought in the same court. This may create settlement opportunities while important substantive rulings are pending.
Branded Pharmaceutical vs. Branded Pharmaceutical	Difficult, and often impossible, cases to settle, as industry economics are based on an exclusive position in marketing patent-protected drugs.

Case Category	Settlement Issues
Branded Pharmaceutical vs. Generic	Often based on Hatch-Waxman Act provisions that grant the generic a 180-day period of exclusivity after it enters the market. 21 U.S.C. § 355(j)(5)(B)(iv). Regarding Hatch-Waxman litigation generally, see Chapter 10. Because delaying actual market entry by the generic delays entry by all generics and because the economic loss to the pharmaceutical company after entry usually far exceeds profit to the generic, some of these cases have been settled by "reverse payments," payments by the pharmaceutical company to the generic to remain off the market for a period of time. Such settlements have been approved by appellate courts so long as the exclusion is no greater than the exclusionary potential of the pharmaceutical company's patent, but continue to be challenged by the Federal Trade Commission as anticompetitive. *See Joblove v. Barr Labs, Inc.*, 429 F.3d 370 (2d Cir. 2005), *amended*, 466 F.3d 187 (2006), *cert. denied*, 127 S. Ct. 3001 (2007); *Schering-Plough Corp. v. FTC*, 402 F.3d 1056 (11th Cir. 2005), *cert. denied*, 126 S. Ct. 2929 (2006).
Medical Device Industry	Historically an industry with a large amount of patent litigation, so it is likely the litigants have a history of litigation against each other; they may have other related or unrelated litigation in other courts, and they may have patent portfolios that threaten future litigation. Early settlement of the litigation is unlikely. Otherwise, like other "Competitor vs. Competitor" litigation (above), settlement will depend on whether the technology is "core" to a significant product.
Preliminary Injunction Motion	Motions for preliminary injunction present an opportunity for very early consideration of settlement: counsel quickly become knowledgeable, parties focus early on strengths and weaknesses, and there is a period early in the case while a potentially important ruling is pending.

Appendix 2.1
Initial Case-Management Conference Summary Checklist

Ask for an informal description of the technology.

Ask for a brief statement/summary of claims and defenses by each party and related background issues, including an informal and general description of the following:

- Identity of the accused products
- Whether the primary basis for asserted liability is direct or indirect infringement
- Whether there are there any third parties from which the parties expect to obtain substantial discovery
- Scope of accused products relative to the defendant's business
- Scope of the patented/embodying technology relative to the patentee's business
- Whether the parties are competitors
- Whether the patent(s)-in-suit have been, or are likely to be, the subject of reexamination proceedings
- Potential for parallel litigation and/or *inter partes* or covered business method review
  - Will a party seek a stay, consolidation, coordination, or transfer?
- Identify patent eligibility (§ 101) issues and discuss when they should addressed
- What type of relief is being sought?
  - What damage theory(ies) will be pursued? How will they be proven?
  - What are the estimated damages?
  - Will injunctive relief be sought, and what kind?
  - What do the parties contend is the "smallest saleable patent practicing unit"?
  - Is the patentee licensing the technology and when will it produce licensing information?
  - Are any technology standards are implicated?

Protective Order

- Is a protective order needed?
- Will a standard protective order suffice or will any party seek special requirements?
- Discuss known points of contention (e.g., prosecution bar, levels of confidentiality, access by in-house lawyers) and, if applicable, convey the court's general perspective on such issues

Discuss special issues related to willfulness (if asserted)

- Timing of the assertion of the claim
- Timing of the reliance on any opinion of counsel
- Possibility of bifurcation
- Possibility of disqualification of counsel

Discuss alternative dispute resolution (ADR)

- Usefulness
- Timing
- Mediation, arbitration, or other form

Discuss electronic discovery and consider limitations on discovery

- Format(s) for production of electronic discovery
- Limits on the scope of electronic discovery
- Source code – how will it be produced?
- Limits on the number of custodians
- Number of total hours for fact witnesses or number of depositions

Discuss contention disclosures and schedule therefor

- In patent local rule jurisdictions, discuss whether variance from the standard disclosure timelines is appropriate
- In jurisdictions without patent local rules, discuss whether the parties should exchange infringement, invalidity, unenforceability, and damages contentions and the appropriate schedule for such disclosures

Set timing and procedures for claim construction and dispositive motions

- Determine timing of summary judgment relative to claim construction
- If not addressed by local rule, set a schedule for exchanges of claim terms, proposed constructions, and supporting evidence
- Discuss whether a tutorial would be appropriate

How conducted: By counsel? By experts? Submissions (e.g., DVDs)?

- Discuss the number of patents and patent claims that would be tried and possible ways of winnowing
- Discuss limits on the number of claim terms submitted for construction
  - Require an explanation of the significance of the term (e.g., effect on infringement/validity)
  - Ask parties to rank the disputed claim terms based on their significance for resolving the case

Discuss claim construction hearing logistics

- Identify disputed subsidiary factual issues
- Discuss whether live witnesses should be called

- Encourage parties to use graphics, animations, and other visual displays to aid in understanding the technology and disputed claim terms
- Schedule a pre-claim-construction conference to finalize the logistics for the hearing (held after the parties' positions on claim construction have crystallized)

Discuss whether any summary judgment issues depend on claim construction or can otherwise be resolved with little or no discovery, including

- Is there a dispute about the structure/function of the accused products?
- Is there any claim term or claim construction issue that, once decided, will compel infringement or noninfringement?
- Are there territorial issues (e.g., location of allegedly infringing acts) that affect infringement?
- Are there any claims or defenses that are purely legal in nature?
  - If so, discuss whether a first-track and second-track schedule for summary judgment would be appropriate for the case (see Chapter 6)

Discuss whether any limits on the number of summary judgment motions (or number of pages of briefing) should be imposed or modified

Discuss limits on prior art references

Discuss issues related to *Daubert* and in limine motions

- Schedule *Daubert* motions well in advance of pretrial conference, for example concurrently with summary judgment
- Discuss scope of in limine motion practice and advise parties that the court will not consider dispositive motions disguised as in limine motions
- Damages
  - Discuss whether it would be appropriate to require damages contentions and/or an expedited damages discovery schedule, or to take other steps to facilitate the early resolution of challenges to damages-related theories or expert testimony.

Appendix 2.2a
Case Management Checklist

Honorable Leonard P. Stark, District of Delaware

Case Management Checklist

Case Name and Number _____

Counsel
Lead Counsel for _____ _____
Delaware Counsel for _____ _____

Lead Counsel for _____ _____
Delaware Counsel for _____ _____

Meet and Confer
Counsel have met and conferred and have made good-faith efforts to discuss, in person and/or by telephone, each of the topics listed in the Checklist below, and will be prepared to address these topics at the Case Management Conference ("CMC").

Discovery

- What are the core technical documents?
- Does any party intend to request production of electronic mail? If so, why? How many custodians should be searched? What methods will be used to search for electronic documents (e.g., key word searches, predictive coding)?
- How can the Court best assist the parties to provide meaningful interrogatory responses to avoid discovery disputes over the adequacy of such responses?
- If source code is going to be produced, when, where, and how will it be made available?

Claim Construction

- What are the 1 or 2 most important claim terms requiring construction?
- Should the Court consider a "super-early" limited claim construction hearing on those most important terms?
- What is the maximum number of claim terms the parties will ask the Court to construe?
- How can the parties help the Court achieve its goal of ruling on claim construction disputes within 60 days of the claim construction hearing?

Narrowing the Case

- At what point(s) in the case will it be appropriate to limit/reduce the number of accused devices/functionalities, asserted patents, asserted claims, invalidity defenses (including obviousness combinations), and prior art references?
- Are there products that are not colorably different than the currently-accused products that Plaintiff expects or Defendant should expect will be added to the case?
- Should damages or any other portion of the case be bifurcated?

Related Cases

- What related cases are pending, in any Court, and what is their filing date and current status?
- Does Plaintiff plan to file additional related cases and, if so, on what schedule and how should that plan affect how this case will proceed?
- Has any patent-in-suit been litigated before and how soon is Plaintiff willing to produce the results of any such litigation, including settlement agreements?

Remedies

- What initial revenue/ sales information does Plaintiff need to assess the value of the case and how soon is Defendant willing to produce such information?
- What type of relief is Plaintiff seeking: lost profits, reasonable royalties, injunction, and/ or any other form of relief?
- What does Plaintiff contend is the "smallest saleable unit"?
- Has the patent been licensed or offered for any license and how soon is Plaintiff willing to produce licensing information?

Amendments

- What will be the deadline for proposed amendments to the pleadings, including adding allegations of indirect and/or willful infringement as well as inequitable conduct?
- What will be the deadline for adding or altering the accused devices / functionalities, asserted claims, and prior art?

Supplementation

- Will expert declarations/ affidavits be permitted to be filed with case-dispositive and other motions, without other parties' agreement or leave of the Court?
- What will be the deadline for supplementing infringement, invalidity, damages, and other contentions?

Protective Order

- Are there any reasons this case requires provisions that are not typical of the protective order generally entered in this Court's patent cases?

Motions to Dismiss/Transfer/Stay

- Have any of these motions been filed and/ or does any party anticipate filing such a motion?
- Will the parties consent to magistrate judge jurisdiction at least for the limited purpose of resolving these motions?[11]
- Should discovery and other exchanges of information (e.g., Default Standards ¶ 4 disclosures) be stayed during pendency of these motions?

Motions for Summary Judgment

- Are there any motions that are potentially fully case dispositive – or that would be dispositive of such a significant portion of the case that its resolution would greatly enhance the likelihood of a cost-effective pre-trial disposition – and that the parties agree the Court should hear early?
- If the Court is to hear any early summary judgment motion, which, if any, other parts of the case should be stayed?
- If the Court is to hear any early summary judgment motion, what is the moving party going to give up (e.g., the opportunity to file a motion on the same subject matter later in the case)?

Other Matters

- Are any postgrant review procedures underway or planned that might affect the manner in which this case should proceed?
- Would the Plaintiff be willing to stipulate to a maximum damages figure in exchange for restrictive discovery and an accelerated trial date?
- How soon can this case be ready for alternative dispute resolution?

Scheduling

- Address each matter listed in the Revised Patent Form Scheduling Order and submit, along with this Checklist, a joint proposed scheduling order, clearly identifying points of disagreement.

11. The identity of any party or parties declining to consent should not be disclosed to the Court at any point, only the fact that there is not unanimous consent.

Appendix 2.2b
Revised Procedures for Managing Patent Cases

Honorable Leonard P. Stark, District of Delaware
Revised Procedures for Managing Patent Cases
(June 18, 2014)

As a result of the invaluable discussions in which I participated as part of the District of Delaware's Patent Study Group, and as previewed in my presentation to our District's chapter of the Federal Bar Association last month, I describe below the Revised Procedures that I will follow in handling patent cases.

Applicability

Unless otherwise ordered, these Revised Procedures will govern all ***non-ANDA*** patent cases filed on or after July 1, 2014, that are assigned to me.

General Principles

Early investment of judicial resources, both from myself and Magistrate Judge Burke, will lead more often to identification of the "best" schedule for each case, promoting overall efficiency in the processing of cases on my docket.

Each patent case will initially be treated as its own case, even if it is related to a case or cases that have already been filed.

I have attempted to identify – and, as best as possible, reduce or eliminate – the areas that generally provide the highest likelihood for lengthy delays.

Referral Order

Within seven (7) days of a new patent case being assigned to me, my staff will docket the following Referral Order:

> This case will be governed by Judge Stark's Revised Procedures for Managing Patent Cases (see www.ded.uscourts.gov). In accordance with the Revised Procedures,
>
> IT IS HEREBY ORDERED that:
>
> 1. any and all matters relating to scheduling, including entry of a Scheduling Order, are referred to Magistrate Judge Burke;
>
> 2. any and all motions to dismiss, stay, and/or transfer venue, relating

to all or any part of the case, whenever such motions may be filed, are referred to Judge Burke for disposition or report and recommendation, to the full extentpermitted by the Constitution, statute, and rule; and

3. within seven (7) days of the date of this Referral Order, the plaintiff(s) shall file the Procedures Order, which is found on Judge Stark's website (see www.ded.uscourts.gov).

Procedures Order

Within seven (7) days after the Court enters the Referral Order, the plaintiff(s) will be responsible for filing the following proposed Procedures Order, which the Court will then "so order" on the docket:

IT IS HEREBY ORDERED that, subject to any subsequent order of the Court, the following procedures shall govern proceedings in this matter:

1. "Discovery Matters" Procedures.

a. Any discovery motion filed without first complying with the following procedures will be denied without prejudice to renew pursuant to these procedures.

b. Should counsel find, after good faith efforts - including ***verbal*** communication among Delaware and Lead Counsel for all parties to the dispute - that they are unable to resolve a discovery matter or a dispute relating to a protective order, the parties involved in the discovery matter or protective order dispute shall submit a joint letter in substantially the following form:

Dear Judge Stark:

The parties in the above-referenced matter write to request the scheduling of a discovery teleconference.

The following attorneys, including at least one Delaware Counsel and at least one Lead Counsel per party, participated in a verbal meet-and-confer (in person and/or by telephone) on the following date(s): _____

Delaware Counsel: _____
Lead Counsel: _____

The disputes requiring judicial attention are listed below: [provide here a non-argumentative list of disputes requiring judicial attention]

c. On a date to be set by separate order, generally not less than forty-eight (48) hours prior to the conference, the party seeking relief shall file with the Court a letter, not to exceed three (3) pages, outlining the issues in dispute and its position on those issues. On a date to be set by separate order, but generally not less than twenty-four (24) hours prior to the conference, any party opposing the application for relief may file a letter, not to exceed three (3) pages, outlining that party's reasons for its opposition.

d. Each party shall submit two (2) courtesy copies of its discovery letter and any attachments.

e. Should the Court find further briefing necessary upon conclusion of the telephone conference, the Court will order it. Alternatively, the Court may choose to resolve the dispute prior to the telephone conference and will, in that event, cancel the conference.

2. Motions to Amend.

a. Any motion to amend (including a motion for leave to amend) a pleading shall ***NOT*** be accompanied by an opening brief but shall, instead, be accompanied by a letter, not to exceed three (3) pages, describing the basis for the requested relief, and shall attach the proposed amended pleading as well as a "blackline" comparison to the prior pleading.

b. Within seven (7) days after the filing of a motion in compliance with this Order, any party opposing such a motion shall file a responsive letter, not to exceed five (5) pages.

c. Within three (3) days thereafter, the moving party may file a reply letter, not to exceed two (2) pages, and, by this same

date, the parties shall file a letter requesting a teleconference to address the motion to amend.

3. Motions to Strike.

   a. Any motion to strike any pleading or other document shall ***NOT*** be accompanied by an opening brief but shall, instead, be accompanied by a letter, not to exceed three (3) pages, describing the basis for the requested relief, and shall attach the document to be stricken.

   b. Within seven (7) days after the filing of a motion in compliance with this Order, any party opposing such a motion shall file a responsive letter, not to exceed five (5) pages.

   c. Within three (3) days thereafter, the moving party may file a reply letter, not to exceed two (2) pages, and, by this same date, the parties shall file a letter requesting a teleconference to address the motion to strike.

4. Scheduling Order. The foregoing procedures shall be repeated in the scheduling order to be entered in this case.

Scheduling and Case Management

As noted in the Referral Order, scheduling will be managed by Judge Burke, who will have full authority to work with the parties to craft a schedule appropriate to the particular circumstances of each patent case. Judge Burke's decisions with respect to scheduling are subject to reversal only for abuse of discretion.

Within ten (10) days after any defendant has filed a responsive pleading (e.g., answer, counterclaim, cross-claim) or a motion in lieu of (or in addition to) a responsive pleading, my staff or Judge Burke's staff will docket the following Case Management Order:

At least one defendant in this matter having filed a responsive pleading or a motion in lieu of (or in addition to) a responsive pleading,

IT IS HEREBY ORDERED that:

The parties shall meet and confer and discuss, in person and/or by telephone, each of the matters listed on the Court's Case Management Checklist ("Checklist"). Within thirty (30) days of the date of this Order, the parties shall jointly file the Checklist and their proposed scheduling order (consistent with the Court's Revised

> Patent Form Scheduling Order). Thereafter, the Court will schedule an in-person Case Management Conference/Rule 16 Scheduling Conference ("CMC") to be held with Judge Stark and/or Judge Burke. The Checklist and Revised Patent Form Scheduling Order can be found on the Court's website (www.ded.uscourts.gov).

A copy of the Checklist is available on the Court's website (www.ded.uscourts.gov). I recognize that some of the questions on the Checklist may relate to case strategy. Nonetheless, I expect counsel to make good faith efforts to discuss, in person and/or by telephone, each of the topics listed.

A copy of the Revised Patent Form Scheduling Order is available on the Court's website (www.ded.uscourts.gov).

The Case Management Conference ("CMC"), which also serves as the scheduling conference pursuant to Federal Rule of Civil Procedure 16, will be held in chambers or in the courtroom, on the record, with Judge Stark and/or Judge Burke. A court reporter will be present. At the CMC, each party must be represented by Lead Counsel and Delaware Counsel and be prepared to discuss each matter on the Checklist as well as any other matter that will be helpful or necessary to determining the most appropriate manner of managing the case. If there is a topic which a party thinks is inappropriate or premature to discuss, that party will have to explain its reasons for that view.

After the CMC, the Court may order the submission of a revised proposed scheduling order.

Where there are multiple related cases involving unrelated defendants, any party may request that the Court defer scheduling the CMC until a later date. Any party requesting such a deferral must accompany the request with a proposed order that, if entered, will require the parties to provide regular status reports advising the Court as to when they believe the case will be ready for a CMC and scheduling order. The greater the agreement among the parties to the related cases that deferral is appropriate, the more likely it is that deferral will be granted.

With rare exceptions, we will schedule trial upon entry of the scheduling order, setting a maximum number of trial days, double- and triple-tracking trials on my calendar as necessary.

If an early trial date is desired, the parties are reminded that if they unanimously consent to the jurisdiction of a Magistrate Judge, Judge Burke will almost always be able to proceed to trial more quickly than Judge Stark.

Where there are multiple related cases involving unrelated defendants, the Court will determine at some point (possibly as late as the pretrial conference) which defendant(s) will be tried first.

Motions to Dismiss, Transfer, or Stay

As noted in the Referral Order, any and all motions to dismiss, transfer, and/or stay will be referred to Judge Burke. Parties are reminded that they may consent to the jurisdiction of a Magistrate Judge for the limited purpose of final resolution of any motion, which has the effect of eliminating the right to file objections in the District Court, essentially giving the Magistrate Judge the same authority a District Judge would have with respect to that motion.

Generally, we will not defer the CMC and scheduling process solely due to the pendency of any of these motions.

Motions to Amend or Strike

As noted in the Procedures Order, any and all motions to amend (or motions for leave to amend) and/or strike will not be accompanied by full briefing but will, instead, be channeled into the "discovery matters" procedures.

Narrowing the Case

In order to manage my docket, and to ensure that litigation proceeds efficiently, I will be highly receptive to reasonable proposals to reduce, at an appropriate stage or stages of a case, the number of: patents-in-suit, asserted claims, accused products, invalidating references, combinations of invalidating references, invalidity defenses, and claim construction disputes.

Discovery

I have modified my discovery matters procedures in several ways, most notably as follows:

- there is no longer a requirement that counsel call chambers to request a discovery teleconference. Instead, counsel are required to submit a joint, non-argumentative letter, representing that Delaware Counsel and Lead Counsel have spoken about the issues in dispute, listing the issues on which counsel believe judicial intervention is required, and requesting the scheduling of a discovery dispute teleconference (a form for the letter is included with the Procedures Order)
- there is no longer a requirement that the parties submit copies of sealed documents within an hour after filing their letters
- parties are required to submit two (2) courtesy copies of their discovery letters and attachments

Discovery teleconferences will continue to be limited to approximately 30-45 minutes each.

Default Standards/Exchange of Contentions

Absent agreement among the parties or an order of the Court, the scheduling order will include dates for the exchange, in steps, of the following:

- Plaintiff shall identify the accused product(s), including accused methods and systems, and its damages model, as well as the asserted patent(s) that the accused product(s) allegedly infringe(s). Plaintiff shall also produce the file history for each asserted patent.
- Defendant shall produce core technical documents related to the accused product(s), sufficient to show how the accused product(s) work(s), including but not limited to non-publicly available operation manuals, product literature, schematics, and specifications. Defendant shall also produce sales figures for the accused product(s).
- Plaintiff shall produce an initial claim chart relating each known accused product to the asserted claims each such product allegedly infringes.
- Defendant shall produce its initial invalidity contentions for each asserted claim, as well as the known related invalidating references.
- Plaintiff shall provide final infringement contentions.
- Defendant shall provide final invalidity contentions.

Also absent agreement among the parties or an order of the Court, the scheduling order will include a date by which all parties must finally supplement, inter alia, the identification of all accused products and of all invalidity references.

The foregoing are the same procedures contained in Judge Robinson's recently issued "Patent Case Scheduling Order" ("SLR Order") (see ¶ 1.c, 1.f, 1.g).

Markman

I have set an aspirational goal of issuing all *Markman* rulings within 60 days after a *Markman* hearing. If I determine (due to, for example, an outsized number of claim disputes, deficiencies with the briefing, or scheduling congestion) that I will be unable to meet my goal, I will advise counsel of this fact.

Although I will continue to prefer having only a single *Markman* hearing in each case, and even just a single *Markman* hearing across all of any number of related cases, I do not plan to adhere rigidly to this preference. The parties should be prepared to discuss at the CMC whether a case or cases would be more efficiently handled by construing certain terms at an earlier point than other terms.

While I am not adopting Judge Robinson's requirement that "[f]or any contested claim limitation, each party must submit a proposed construction; i.e., 'plain and ordinary' meaning generally is not helpful to either the court or a jury" (SLR Order ¶ 5.b), I agree with her reasoning and am usually not persuaded that "plain and ordinary meaning" is an appropriate resolution of a material dispute over the scope of a claim term.

Summary Judgment/*Daubert* (Motions to Preclude/Exclude)

I will continue to permit parties to file as many summary judgment and *Daubert* (i.e., motions to exclude or preclude anticipated expert testimony, in whole or in part) motions as they wish, subject to the restriction that each side is limited to no more than a total of fifty (50) pages of combined opening briefs in support of any and all such motions, no more than fifty (50) pages of combined answering briefs in opposition to the motions, and no more than twenty (20) pages of combined reply briefs in support of their motions.

The parties must work together to ensure that the Court receives no more than a ***total*** of ***250 pages*** (i.e., 50 + 50 + 25 regarding one side's motions, and 50 + 50 + 25 regarding the other side's motions) of briefing on all case dispositive motions and Daubert motions that are covered by this scheduling order and any other scheduling order entered in any related case that is proceeding on a consolidated or coordinated pretrial schedule.

I will generally include in the scheduling order a date for argument on any motions for summary judgment and *Daubert* motions. Such a hearing will typically be held approximately two months prior to the pretrial conference. Generally, counsel should expect they will be given a total of no more than forty-five (45) minutes per side to present their arguments on all pending motions.

Pretrial Order

I have revised my form pretrial order. (See "Proposed Final Pretrial Order- Patent" at www.ded.uscourts.gov.) I note some of the more important changes below.

I have clarified that when parties estimate the anticipated length of trial, they must do so not only in terms of trial days but also in terms of a specific request for a number of hours they need for their trial presentations. In formulating such a request, counsel should assume that they will be charged time for: opening statements, examination of witnesses (including by playing or reading deposition testimony), closing arguments, arguing objections (including in the mornings before trial begins), and arguing motions (including for judgment as a matter of law). I usually do not charge time for jury selection, opening and final jury instructions, and arguments regarding jury instructions. Counsel should also assume that in a typical trial

day we can usually get in 5 1/2 – 6 1/2 hours in a jury trial and 6 – 7 hours in a bench trial.

Counsel need to indicate whether, in connection with efforts to impeach a witness with prior testimony, they wish to permit objections for incompleteness and/or lack of inconsistency.

Counsel need to indicate whether, in connection with objections to expert testimony as being beyond the scope of previous expert disclosures, they request that the Court rule on such objections at trial or defer ruling unless and until the objections are renewed in connection with post-trial motions (with costs of the new trial to be charged entirely to the party whose trial conduct necessitates a new trial).

With respect to motions for judgment as a matter of law pursuant to Fed. R. Civ. P. 50, counsel need to indicate whether they request such motions: (i) be made at sidebar while the jury remains in the courtroom, (ii) be made immediately at the appropriate point during trial, and (iii) be supplemented in writing (and, if so, when).

Pretrial Conference

I expect to continue to conduct pretrial conferences largely as I have done to this point, although I will generally limit them to two (2) hours or less.

Jury Instructions, Voir Dire, Verdict Sheet

Where a case is to be tried to a jury, the parties must provide the Court with courtesy copies of the required documents – proposed voir dire, preliminary jury instructions, final jury instructions, and special verdict forms – as computer files. These courtesy copies may be sent by e-mail to my staff. The files may be in either WordPerfect or Microsoft Word format.

Trial

I expect to continue to conduct trials largely as I have done to this point.

After the jury returns a verdict, I will generally order the preparation of a joint status report, in which the parties should indicate, after meeting and conferring, how they believe the case should proceed, including whether (and when) additional briefing and/or in-court proceedings will be required.

The joint status report should identify the post-trial motions and issues on which any party intends to seek relief.

The joint status report should be accompanied by a proposed order to enter judgment on the verdict.

Post-Trial Motions

Unless otherwise ordered, briefing is according to Local Rules, no matter how many motions are filed by a party. That is, each side may file a maximum total of twenty (20) pages of opening briefing, twenty (20) pages of answering briefing, and ten (10) pages of reply briefing, ***regardless of how many motions are filed***.

Where possible, I will try to advise the parties as to my inclinations with respect to the issues that they plan to raise in their post-trial motions, so the parties may better assess whether I am likely to disturb the verdict of the jury.

Appendix 2.2c
Revised Patent Form Scheduling Order

Honorable Leonard P. Stark, District of Delaware

Revised Patent Form Scheduling Order
Revised June 2014

[NOTE: text in brackets is for guidance and should be deleted from proposed schedules submitted for the Court's consideration]

This ____ day of ____, 201_, the Court having conducted a Case Management Conference/Rule 16 scheduling and planning conference pursuant to Local Rule 16.2(a) and Judge Stark's Revised Procedures for Managing Patent Cases (which is posted at http://www.ded.uscourts.gov; see Chambers, Judge Leonard P. Stark, Patent Cases) on _____, 201_, and the parties having determined after discussion that the matter cannot be resolved at this juncture by settlement, voluntary mediation, or binding arbitration;

IT IS HEREBY ORDERED that:

1. Rule 26(a)(l) Initial Disclosures and e-Discovery Default Standard. Unless otherwise agreed to by the parties, the parties shall make their initial disclosures pursuant to Federal Rule of Civil Procedure 26(a)(1) within five (5) days of the date of this Order. If they have not already done so, the parties are to review the Court's Default Standard for Discovery, Including Discovery of Electronically Stored Information ("ESI") (which is posted at http://www.ded.uscourts.gov; see Other Resources, Default Standards for Discovery, and is incorporated herein by reference).

2. Joinder of Other Parties and Amendment of Pleadings. All motions to join other parties, and to amend or supplement the pleadings, shall be filed on or before _____, 201__.

3. Application to Court for Protective Order. Should counsel find it will be necessary to apply to the Court for a protective order specifying terms and conditions for the disclosure of confidential information, counsel should confer and attempt to reach an agreement on a proposed form of order and submit it to the Court within ten (10) days from the date of this Order. Should counsel be unable to reach an agreement on a proposed form of order, counsel must follow the provisions of Paragraph 8(g) below.

Any proposed protective order must include the following paragraph:

> Other Proceedings. By entering this order and limiting the disclosure of information in this case, the Court does not intend to preclude another court from finding that information may be relevant and subject to disclosure in another case. Any person or party subject to this order who becomes subject to a motion to disclose another party's information designated "confidential" [the parties should list any other level of

designation, such as "highly confidential," which may be provided for in the protective order] pursuant to this order shall promptly notify that party of the motion so that the party may have an opportunity to appear and be heard on whether that information should be disclosed.

4. Papers Filed Under Seal. In accordance with section G of the Administrative Procedures Governing Filing and Service by Electronic Means, a redacted version of any sealed document shall be filed electronically within seven (7) days of the filing of the sealed document. Should any party intend to request to seal or redact all or any portion of a transcript of a court proceeding (including a teleconference), such party should expressly note that intent at the start of the court proceeding. Should the party subsequently choose to make a request for sealing or redaction, it must, promptly after the completion of the transcript, file with the Court a motion for sealing/redaction, and include as attachments (1) a copy of the complete transcript highlighted so the Court can easily identify and read the text proposed to be sealed/redacted, and (2) a copy of the proposed redacted/sealed transcript. With their request, the party seeking redactions must demonstrate why there is good cause for the redactions and why disclosure of the redacted material would work a clearly defined and serious injury to the party seeking redaction.

5. Courtesy Copies. Other than with respect to "discovery matters," which are governed by paragraph 8(g), and the final pretrial order, which is governed by paragraph 20, the parties shall provide to the Court two (2) courtesy copies of all briefs and one (1) courtesy copy of any other document filed in support of any briefs (i.e., appendices, exhibits, declarations, affidavits etc.). This provision also applies to papers filed under seal.

6. ADR Process. This matter is referred to a magistrate judge to explore the possibility of alternative dispute resolution.

7. Disclosures. Absent agreement among the parties, and approval of the Court:

a. By _____ , Plaintiff shall identify the accused product(s), including accused methods and systems, and its damages model, as well as the asserted patent(s) that the accused product(s) allegedly infringe(s). Plaintiff shall also produce the file history for each asserted patent.

b. By _____ , Defendant shall produce core technical documents related to the accused product(s), sufficient to show how the accused product(s) work(s), including but not limited to non-publicly available operation manuals, product literature, schematics, and specifications. Defendant shall also produce sales figures for the accused product(s).

c. By _____ , Plaintiff shall produce an initial claim chart relating each known accused product to the asserted claims each such product allegedly infringes.

d. By _____ , Defendant shall produce its initial invalidity contentions for each asserted claim, as well as the known related invalidating references.

e. By _____, Plaintiff shall provide final infringement contentions.

f. By _____, Defendant shall provide final invalidity contentions.

8. Discovery. Unless otherwise ordered by the Court, the limitations on discovery set forth in Local Rule 26.1 shall be strictly observed.

a. Discovery Cut Off. All discovery in this case shall be initiated so that it will be completed on or before _____, 201__.

b. Document Production. Document production shall be substantially complete by _____, 201__.

c. Requests for Admission. A maximum of_ requests for admission are permitted for each side.

d. Interrogatories.

i. A maximum of ____ interrogatories, including contention interrogatories, are permitted for each side.

ii. The Court encourages the parties to serve and respond to contention interrogatories early in the case. In the absence of agreement among the parties, contention interrogatories, if filed, shall first be addressed by the party with the burden of proof. The adequacy of all interrogatory answers shall be judged by the level of detail each party provides; i.e., the more detail a party provides, the more detail a party shall receive.

e. Depositions.

i. Limitation on Hours for Deposition Discovery. Each side is limited to a total of_ hours of taking testimony by deposition upon oral examination.

ii. Location of Depositions. Any party or representative (officer, director, or managing agent) of a party filing a civil action in this district court must ordinarily be required, upon request, to submit to a deposition at a place designated within this district.

Exceptions to this general rule may be made by order of the Court. A defendant who becomes a counterclaimant, cross-claimant, or third-party plaintiff shall be considered as having filed an action in this Court for the purpose of this provision.

f. Disclosure of Expert Testimony.

i. Expert Reports. For the party who has the initial burden of proof on the subject matter, the initial Federal Rule 26(a)(2) disclosure of expert testimony is due on or before _____, 201__. The supplemental disclosure to contradict or rebut evidence on the same matter identified by another party is due on or before _____, 201__. Reply expert reports from the party with the initial burden of proof are due on or before _____. No other expert reports will be permitted without either the consent of all parties or leave of the Court. Along with the submissions of the expert reports, the parties shall advise of the dates and times of their experts' availability for deposition.

ii. Expert Report Supplementation. The parties agree they [will] [will not] [CHOOSE ONE] permit expert declarations to be filed in connection with motions briefing (including case-dispositive motions).

iii. Objections to Expert Testimony. To the extent any objection to expert testimony is made pursuant to the principles announced in *Daubert v. Merrell Dow Pharm., Inc.,* 509 U.S. 579 (1993), as incorporated in Federal Rule of Evidence 702, it shall be made by motion no later than the deadline for dispositive motions set forth herein, unless otherwise ordered by the Court. Briefing on such motions is subject to the page limits set out in connection with briefing of case dispositive motions.

g. Discovery Matters and Disputes Relating to Protective Orders.

i. Any discovery motion filed without first complying with the following procedures will be denied without prejudice to renew pursuant to these procedures.

ii. Should counsel find, after good faith efforts - including ***verbal*** communication among Delaware and Lead Counsel for all parties to the dispute - that they are unable to resolve a discovery matter or a dispute relating to a protective order, the parties involved in the discovery matter or protective order dispute shall submit a joint letter in substantially the following form:

> Dear Judge Stark:
>
> The parties in the above-referenced matter write to request the scheduling of a discovery teleconference.
>
> The following attorneys, including at least one Delaware Counsel and at least one Lead Counsel per party, participated in a verbal meet-and-confer (in person and/or by telephone) on the following date(s):
>
> _____
>
> Delaware Counsel: _____
>
> Lead Counsel: _____
>
> The disputes requiring judicial attention are listed below: [provide here a non-argumentative list of disputes requiring judicial attention]

iii. On a date to be set by separate order, generally not less than forty-eight (48) hours prior to the conference, the party seeking relief shall file with the Court a letter, not to exceed three (3) pages, outlining the issues in dispute and its position on those issues. On a date to be set by separate order, but generally not less than twenty-four (24) hours prior to the conference, any party

opposing the application for relief may file a letter, not to exceed three (3) pages, outlining that party's reasons for its opposition.

iv. Each party shall submit two (2) courtesy copies of its discovery letter and any attachments.

v. Should the Court find further briefing necessary upon conclusion of the telephone conference, the Court will order it. Alternatively, the Court may choose to resolve the dispute prior to the telephone conference and will, in that event, cancel the conference.

9. Motions to Amend.

a. Any motion to amend (including a motion for leave to amend) a pleading shall NOT be accompanied by an opening briefbut shall, instead, be accompanied by a letter, not to exceed three (3) pages, describing the basis for the requested relief, and shall attach the proposed amended pleading as well as a "blackline" comparison to the prior pleading.

b. Within seven (7) days after the filing of a motion in compliance with this Order, any party opposing such a motion shall file a responsive letter, not to exceed five (5) pages.

c. Within three (3) days thereafter, the moving party may file a reply letter, not to exceed two (2) pages, and, by this same date, the parties shall file a letter requesting a teleconference to address the motion to amend.

10. Motions to Strike.

a. Any motion to strike any pleading or other document shall NOT be accompanied by an opening brief but shall, instead, be accompanied by a letter, not to exceed three (3) pages, describing the basis for the requested relief, and shall attach the document to be stricken.

b. Within seven (7) days after the filing of a motion in compliance with this Order, any party opposing such a motion shall file a responsive letter, not to exceed five (5) pages.

c. Within three (3) days thereafter, the moving party may file a reply letter, not to exceed two (2) pages, and, by this same date, the parties shall file a letter requesting a teleconference to address the motion to strike.

11. Tutorial Describing the Technology and Matters in Issue. Unless otherwise ordered by the Court, the parties shall provide the Court, no later than the date on which their opening claim construction briefs are due, a tutorial on the technology at issue. In that regard, the parties may separately or jointly submit a DVD of not more than thirty (30) minutes. The tutorial should focus on the technology in issue and should not be used for argument. The parties may choose to file their tutorial(s) under seal, subject to any protective order in effect. Each party may comment, in writing (in no more than five (5) pages) on the opposing party's tutorial. Any such comment shall be filed no later than the date on which the answering claim construction briefs are due.

As to the format selected, the parties should confirm the Court's technical abilities to access the information contained in the tutorial (currently best are "mpeg" or "quick-time").

12. Claim Construction Issue Identification. On _____, 201__, the parties shall exchange a list of those claim term(s)/phrase(s) that they believe need construction and their proposed claim construction of those term(s)/phrase(s). This document will not be filed with the Court. Subsequent to exchanging that list, the parties will meet and confer to prepare a Joint Claim Construction Chart to be submitted on _____, 201__. The parties' Joint Claim Construction Chart should identify for the Court the term(s)/ phrase(s) of the claim(s) in issue, and should include each party's proposed construction of the disputed claim language with citation(s) only to the intrinsic evidence in support of their respective proposed constructions. A copy of the patent(s) in issue as well as those portions of the intrinsic record relied upon shall be submitted with this Joint Claim Construction Chart. In this joint submission, the parties shall not provide argument.

13. Claim Construction Briefing. The parties shall contemporaneously submit initial briefs on claim construction issues on _____, 201__. The parties' answering/responsive briefs shall be contemporaneously submitted on _____, 201__. No reply briefs or supplemental papers on claim construction shall be submitted without leave of the Court. Local Rule 7.1.3(4) shall control the page limitations for initial (opening) and responsive (answering) briefs.

14. Hearing on Claim Construction. Beginning at ___ _.m. on _____, 201__, the Court will hear argument on claim construction. The parties shall notify the Court, by joint letter submission, no later than the date on which their answering claim construction briefs are due: (i) whether they request leave to present testimony at the hearing; and (ii) the amount of time they are requesting be allocated to them for the hearing.

Provided that the parties comply with all portions of this Scheduling Order, and any other orders of the Court, the parties should anticipate that the Court will issue its claim construction order within sixty (60) days of the conclusion of the claim construction hearing. If the Court is unable to meet this goal, it will advise the parties no later than sixty (60) days after the conclusion of the claim construction hearing.

15. Interim Status Report. On _____, 201__, counsel shall submit a joint letter to the Court with an interim report on the nature of the matters in issue and the progress of discovery to date. Thereafter, if the Court deems it necessary, it will schedule a status conference.

16. Supplementation. Absent agreement among the parties, and approval of the Court, no later than _____ the parties must finally supplement, inter alia, the identification of all accused products and of all invalidity references.

17. Case Dispositive Motions. All case dispositive motions, an opening brief, and affidavits, if any, in support of the motion shall be served and filed on or before _____, 201__. Briefing will be presented pursuant to the Court's Local Rules, as modified by this Order.

a. No early motions without leave. No case dispositive motion under Rule 56 may be filed more than ten (10) days before the above date without leave of the Court.

b. Page limits combined with *Daubert* motion page limits. Each party is permitted to file as many case dispositive motions as desired; provided, however, that each SIDE will be limited to a combined total of 40 pages for all opening briefs, a combined total of 40 pages for all answering briefs, and a combined total of 20 pages for all reply briefs regardless of the number of case dispositive motions that are filed. In the event that a party files, in addition to a case dispositive motion, a *Daubert* motion to exclude or preclude all or any portion of an expert's testimony, the total amount of pages permitted for all case dispositive and *Daubert* motions shall be increased to 50 pages for all opening briefs, 50 pages for all answering briefs, and 25 pages for all reply briefs for each ***SIDE***.[12]

c. Hearing. The Court will hear argument on all pending case dispositive and *Daubert* motions on _____ beginning at _____ . [The parties should propose a date approximately two months prior to the requested pretrial conference date.] Subject to further order of the Court, each side will be allocated a total of forty-five (45) minutes to present its argument on all pending motions.

18. Applications by Motion. Except as otherwise specified herein, any application to the Court shall be by written motion filed with the Clerk. Any non-dispositive motion should contain the statement required by Local Rule 7.1.1.

19. Pretrial Conference. On _____, 201__, the Court will hold a pretrial conference in Court with counsel beginning at ___ .m. [The parties should request a date approximately 2-4 weeks prior to their requested trial date.] Unless otherwise ordered by the Court, the parties should assume that filing the pretrial order satisfies the pretrial disclosure requirement of Federal Rule of Civil Procedure 26(a)(3). The parties shall file with the Court the joint proposed final pretrial order with the information required by the form of Revised Final Pretrial Order- Patent, which can be found on the Court's website (www.ded.uscourts.gov), on or before _____, 201__. [The parties should insert a date no less than seven (7) days before the requested pretrial conference date.] Unless otherwise ordered by the Court, the parties shall comply with the

12. The parties must work together to ensure that the Court receives no more than a total of 250 pages (i.e., 50 + 50 + 25 regarding one side's motions, and 50 + 50 + 25 regarding the other side's motions) of briefing on all case dispositive motions and *Daubert* motions that are covered by this scheduling order and any other scheduling order entered in any related case that is proceeding on a consolidated or coordinated pretrial schedule.

timeframes set forth in Local Rule 16.3(d)(l)–(3) for the preparation of the joint proposed final pretrial order.

The parties shall provide the Court two (2) courtesy copies of the joint proposed final pretrial order and all attachments.

As noted in the Revised Final Pretrial Order- Patent, the parties shall include in their joint proposed final pretrial order, among other things:

a. a request for a specific number of ***hours*** for their trial presentations, as well as a requested number of days, based on the assumption that in a typical jury trial day (in which there is not jury selection, jury instruction, or deliberations), there will be 5 Y2 to 6 Y2 hours of trial time, and in a typical bench trial day there will be 6 to 7 hours of trial time;

b. their position as to whether the Court should allow objections to efforts to impeach a witness with prior testimony, including objections based on lack of completeness and/or lack of inconsistency;

c. their position as to whether the Court should rule at trial on objections to expert testimony as beyond the scope of prior expert disclosures, taking time from the parties' trial presentation to argue and decide such objections, or defer ruling on all such objections unless renewed in writing following trial, subject to the proviso that a party prevailing on such a post-trial objection will be entitled to have all of its costs associated with a new trial paid for by the party that elicited the improper expert testimony at the earlier trial; and

d. their position as to how to make motions for judgment as a matter of law, whether it be immediately at the appropriate point during trial or at a subsequent break, whether the jury should be in or out of the courtroom, and whether such motions may be supplemented in writing.

20. Motions *in Limine*. Motions *in limine* shall not be separately filed. All *in limine* requests and responses thereto shall be set forth in the proposed pretrial order. Each ***SIDE*** shall be limited to three (3) *in limine* requests, unless otherwise permitted by the Court. The *in limine* request and any response shall contain the authorities relied upon; each *in limine* request may be supported by a maximum of three (3) pages of argument and may be opposed by a maximum of three (3) pages of argument, and the side making the *in limine* request may add a maximum of one (1) additional page in reply in support of its request. If more than one party is supporting or opposing an *in limine* request, such support or opposition shall be combined in a single three (3) page submission (and, if the moving party, a single one (1) page reply), unless otherwise ordered by the Court. No separate briefing shall be submitted on *in limine* requests, unless otherwise permitted by the Court.

21. Jury Instructions, Voir Dire, and Special Verdict Forms. Where a case is to be tried to a jury, pursuant to Local Rules 47 and 51 the parties should file (i) proposed voir dire, (ii) preliminary jury instructions, (iii) final jury instructions, and (iv) special

verdict forms three (3) business days before the final pretrial conference. This submission shall be accompanied by a courtesy copy containing electronic files of these documents, in WordPerfect or Microsoft Word format, which may be submitted by e-mail to Judge Stark's staff.

22. Trial. This matter is scheduled for a __ day trial beginning at 9:30 a.m. on _____, 201__, with the subsequent trial days beginning at 9:00 a.m. Until the case is submitted to the jury for deliberations, the jury will be excused each day at 4:30 p.m. The trial will be timed, as counsel will be allocated a total number of hours in which to present their respective cases.

23. Judgment on Verdict and Post-Trial Status Report. Within seven (7) days after a jury returns a verdict in any portion of a jury trial, the parties shall jointly submit a form of order to enter judgment on the verdict. At the same time, the parties shall submit a joint status report, indicating among other things how the case should proceed and listing any post-trial motions each party intends to file.

24. Post-Trial Motions. Unless otherwise ordered by the Court, all SIDES are limited to a maximum of 20 pages of opening briefs, 20 pages of answering briefs, and 10 pages of reply briefs relating to any post-trial motions filed by that side, no matter how many such motions are filed.

_____
UNITED STATES DISTRICT JUDGE

Appendix 2.3
Patent Pilot Program

District	Participating Judges
Central District of California	• District Judge Andrew J. Guilford • District Judge S. James Otero • District Judge Otis D. Wright II • District Judge George H. Wu • District Judge James V. Selna • District Judge John A. Kronstadt
Northern District of California	• District Judge James Donato • District Judge Lucy H. Koh • District Judge Jeffrey S. White • Senior District Judge Ronald M. Whyte • Magistrate Judge Laurel Beeler • Magistrate Judge Jacqueline Scott Corley • Magistrate Judge Nathanael M. Cousins • Magistrate Judge Elizabeth M. Laporte • Magistrate Judge Paul S. Grewal • Magistrate Judge Joseph C. Spero • Magistrate Judge Donna M. Ryu
Southern District of California	• District Judge Roger T. Benitez • District Judge Marilyn L. Huff • District Judge Dana M. Sabraw • District Judge Janis L. Sammartino • District Judge Cathy Ann Bencivengo
Northern District of Illinois	• Chief Judge James F. Holderman • District Judge Ruben Castillo • District Judge John W. Darrah • District Judge Gary S. Feinerman • District Judge Virginia Kendall • District Judge Matthew F. Kennelly • District Judge Joan Humphrey Lefkow • District Judge Rebecca R. Pallmeyer • District Judge Amy J. St. Eve • District Judge James B. Zagel
District of Maryland	• District Judge Marvin J. Garbis • District Judge William D. Quarles, Jr. • District Judge Roger W. Titus

District	Participating Judges
District of Nevada	• Chief Judge Robert C. Jones • District Judge Gloria M. Navarro • District Judge Philip M. Pro • District Judge Miranda Mai Du
District of New Jersey	• Chief Judge Jerome B. Simandle • District Judge Renee M. Bumb • District Judge Claire C. Cecchi • District Judge Noel L. Hillman • District Judge Peter G. Sheridan • District Judge Susan D. Wigenton • Senior District Judge Stanley R. Chesler • Senior District Judge Mary L. Cooper • Senior District Judge Joseph E. Irenas
Eastern District of New York	• District Judge Brian M. Cogan • District Judge John Gleeson • District Judge Kiyo A. Matsumoto • District Judge William F. Kuntz II • District Judge Joanna Seybert • Senior District Judge Jack B. Weinstein • Chief Magistrate Judge Steven M. Gold • Magistrate Judge Joan A. Azrack • Magistrate Judge Marilyn D. Go • Magistrate Judge Gary Brown • Magistrate Judge Cheryl L. Pollak • Magistrate Judge James Orenstein • Magistrate Judge Ramon E. Reyes, Jr. • Magistrate Judge A. Kathleen Tomlinson • Magistrate Judge William D. Wall
Southern District of New York	• District Judge P. Kevin Castel • District Judge Denise Cote • District Judge Katherine B. Forrest • District Judge John G. Koeltl • District Judge Colleen McMahon • District Judge Laura Taylor Swain • Senior District Judge Thomas P. Griesa • Senior District Judge Jed S. Rakoff • Senior District Judge Shira A. Scheindlin • Senior District Judge Robert W. Sweet

District	Participating Judges
Western District of Pennsylvania	• Chief Judge Gary L. Lancaster • District Judge Joy Flowers Conti • District Judge Nora Barry Fischer • District Judge Arthur J. Schwab • District Judge Cathy Bissoon • District Judge Mark R. Hornak
Western District of Tennessee	• Chief Judge Jon P. McCalla • District Judge S. Hardy Mays, Jr.
Eastern District of Texas	• Chief Judge Leonard E. Davis • District Judge Ron Clark • District Judge Rodney Gilstrap • District Judge Richard A. Schell • District Judge Michael H. Schneider, Sr.
Northern District of Texas	• District Judge David C. Godbey • District Judge Ed Kinkeade • District Judge Barbara M.G. Lynn

Appendix 2.4
Protective Orders

Many district courts have established default protective orders in conjunction with or in addition to Patent Local Rules (PLRs). This appendix catalogs the districts with default protective orders and contains several representative examples. The highlighted documents are contained herein.

California

Northern District (updated Aug. 20, 2014), two forms reprinted here:

Appendix 2.4a: (1) Patent Local Rule 2-2 Interim Model Protective Order

Appendix 2.4b: (2) Model Protective Order for Litigation Involving Patents, Highly Sensitive Confidential Information and/or Trade Secrets

Note that a Stipulated Protective Order for Standard Litigation is also available at http://www.cand.uscourts.gov/model-protective-orders

Southern District (updated Feb. 2, 2015) (Patent Local Rules)

Delaware

Appendix 2.4e: Default Standard for Access to Source Code, updated Dec. 8, 2011

Illinois

Northern District

Appendix 2.4c: Model Protective Order (Appendix B)

Minnesota

Appendix 2.4d: Form 5. Stipulation for Protective Order

Missouri

Eastern District (Appendix A)

New Jersey

General Discovery Confidentiality Order; Appendix S to Local Patent Rules

New York

Northern District (available at www.nynd.uscourts.gov)

Ohio

Northern District (effective Oct. 22, 2009) (Appendix A)
Southern District (effective June 1, 2010) (Appendix A)

Pennsylvania

Western District (effective Dec. 1, 2005) (Appendix LPR 2.2)

Tennessee

Western District (Patent Case Protective Order, Appendix A)

Texas

Eastern District (effective Feb. 22, 2005) (sample form)

Northern District, Dallas Division (effective May 1, 2007) (Appendix A)

Southern District (effective Jan. 1, 2008)

Appendix 2.4a
Northern District of California, Patent Local Rule 2-2 Interim Model Protective Order

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

Plaintiff,	
v.	Case No. C
	PATENT LOCAL RULE 2-2
Defendant.	INTERIM MODEL
	PROTECTIVE ORDER

1. PURPOSES AND LIMITATIONS

Disclosure and discovery activity in this action are likely to involve production of confidential, proprietary, or private information for which special protection from public disclosure and from use for any purpose other than prosecuting this litigation may be warranted. This Order does not confer blanket protections on all disclosures or responses to discovery and the protection it affords from public disclosure and use extends only to the limited information or items that are entitled to confidential treatment under the applicable legal principles. As set forth in Section 14.4 below, this Protective Order does not entitle the Parties to file confidential information under seal; Civil Local Rule 79-5 sets forth the procedures that must be followed and the standards that will be applied when a party seeks permission from the court to file material under seal.

2. DEFINITIONS

2.1 Challenging Party: a Party or Non-Party that challenges the designation of information or items under this Order.

2.2 "CONFIDENTIAL" Information or Items: information (regardless of how it is generated, stored or maintained) or tangible things that qualify for protection under Federal Rule of Civil Procedure 26(c).

2.3 Counsel (without qualifier): Outside Counsel of Record and House Counsel (as well as their support staff).

2.4 Designated House Counsel: House Counsel who seek access to "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information in this matter.

2.5 Designating Party: a Party or Non-Party that designates information or items that it produces in disclosures or in responses to discovery as "CONFIDENTIAL," "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY," or "HIGHLY CONFIDENTIAL – SOURCE CODE."

2.6 Disclosure or Discovery Material: all items or information, regardless of the medium or manner in which it is generated, stored, or maintained (including, among other things, testimony, transcripts, and tangible things), that are produced or generated in disclosures or responses to discovery in this matter.

2.7 Expert: a person with specialized knowledge or experience in a matter pertinent to the litigation who (1) has been retained by a Party or its counsel to serve as an expert witness or as a consultant in this action, (2) is not a past or current employee of a Party or of a Party's competitor, and (3) at the time of retention, is not anticipated to become an employee of a Party or of a Party's competitor.

2.8 "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" Information or Items: extremely sensitive "Confidential Information or Items," disclosure of which to another Party or Non-Party would create a substantial risk of serious harm that could not be avoided by less restrictive means.

2.9 "HIGHLY CONFIDENTIAL – SOURCE CODE" Information or Items: extremely sensitive "Confidential Information or Items" representing computer code and associated comments and revision histories, formulas, engineering specifications, or schematics that define or otherwise describe in detail the algorithms or structure of software or hardware designs, disclosure of which to another Party or Non-Party would create a substantial risk of serious harm that could not be avoided by less restrictive means.

2.10 House Counsel: attorneys who are employees of a party to this action. House Counsel does not include Outside Counsel of Record or any other outside counsel.

2.11 Non-Party: any natural person, partnership, corporation, association, or other legal entity not named as a Party to this action.

2.12 Outside Counsel of Record: attorneys who are not employees of a party to this action but are retained to represent or advise a party to this action and have appeared in this action on behalf of that party or are affiliated with a law firm which has appeared on behalf of that party.

2.13 Party: any party to this action, including all of its officers, directors, employees, consultants, retained experts, and Outside Counsel of Record (and their support staffs).

2.14 Producing Party: a Party or Non-Party that produces Disclosure or Discovery Material in this action.

2.15 Professional Vendors: persons or entities that provide litigation support services (e.g., photocopying, videotaping, translating, preparing exhibits or demonstrations, and organizing, storing, or retrieving data in any form or medium) and their employees and subcontractors.

2.16 Protected Material: any Disclosure or Discovery Material that is designated as "CONFIDENTIAL," "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY," or "HIGHLY CONFIDENTIAL – SOURCE CODE."

2.17 Receiving Party: a Party that receives Disclosure or Discovery Material from a Producing Party.

3. SCOPE

The protections conferred by this Order cover not only Protected Material (as defined above), but also (1) any information copied or extracted from Protected Material; (2) all copies, excerpts, summaries, or compilations of Protected Material; and (3) any testimony, conversations, or presentations by Parties or their Counsel that might reveal Protected Material. However, the protections conferred by this Order do not cover the following information: (a) any information that is in the public domain at the time of disclosure to a Receiving Party or becomes part of the public domain after its disclosure to a Receiving Party as a result of publication not involving a violation of this Order, including becoming part of the public record through trial or otherwise; and (b) any information known to the Receiving Party prior to the disclosure or obtained by the Receiving Party after the disclosure from a source who obtained the information lawfully and under no obligation of confidentiality to the Designating Party. Any use of Protected Material at trial shall be governed by a separate agreement or order.

4. DURATION

Even after final disposition of this litigation, the confidentiality obligations imposed by this Order shall remain in effect until a Designating Party agrees otherwise in writing or a court order otherwise directs. Final disposition shall be deemed to be the later of (1) dismissal of all claims and defenses in this action, with or without prejudice; and (2) final judgment herein after the completion and exhaustion of all appeals, rehearings, remands, trials, or reviews of this action, including the time limits for filing any motions or applications for extension of time pursuant to applicable law.

5. DESIGNATING PROTECTED MATERIAL

5.1 Exercise of Restraint and Care in Designating Material for Protection. Each Party or Non-Party that designates information or items for protection under this Order must take care to limit any such designation to specific material that qualifies under the appropriate standards. To the extent it is practical to do so, the Designating Party must designate for protection only those parts of material, documents, items, or oral or written communications that qualify – so that other portions of the material, documents, items, or communications for which protection is not warranted are not swept unjustifiably within the ambit of this Order.

Mass, indiscriminate, or routinized designations are prohibited. Designations that are shown to be clearly unjustified or that have been made for an improper purpose (e.g., to unnecessarily encumber or retard the case development process or to impose unnecessary expenses and burdens on other parties) expose the Designating Party to sanctions.

If it comes to a Designating Party's attention that information or items that it designated for protection do not qualify for protection at all or do not qualify for the level of protection initially asserted, that Designating Party must promptly notify all other Parties that it is withdrawing the mistaken designation.

5.2 Manner and Timing of Designations. Except as otherwise provided in this Order (see, e.g., second paragraph of section 5.2(a) below), or as otherwise stipulated or ordered, Disclosure or Discovery Material that qualifies for protection under this Order must be clearly so designated before the material is disclosed or produced.

Designation in conformity with this Order requires:

(a) for information in documentary form (e.g., paper or electronic documents, but excluding transcripts of depositions or other pretrial or trial proceedings), that the Producing Party affix the legend "CONFIDENTIAL," "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY," or "HIGHLY CONFIDENTIAL – SOURCE CODE" to each page that contains protected material. If only a portion or portions of the material on a page qualifies for protection, the Producing Party also must clearly identify the protected portion(s) (e.g., by making appropriate markings in the margins) and must specify, for each portion, the level of protection being asserted.

A Party or Non-Party that makes original documents or materials available for inspection need not designate them for protection until after the inspecting Party has indicated which material it would like copied and produced. During the inspection and before the designation, all of the material made available for inspection shall be deemed "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY." After the in-

specting Party has identified the documents it wants copied and produced, the Producing Party must determine which documents, or portions thereof, qualify for protection under this Order. Then, before producing the specified documents, the Producing Party must affix the appropriate legend ("CONFIDENTIAL," "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY," or "HIGHLY CONFIDENTIAL – SOURCE CODE") to each page that contains Protected Material. If only a portion or portions of the material on a page qualifies for protection, the Producing Party also must clearly identify the protected portion(s) (e.g., by making appropriate markings in the margins) and must specify, for each portion, the level of protection being asserted.

(b) for testimony given in deposition or in other pretrial or trial proceedings, that the Designating Party identify on the record, before the close of the deposition, hearing, or other proceeding, all protected testimony and specify the level of protection being asserted. When it is impractical to identify separately each portion of testimony that is entitled to protection and it appears that substantial portions of the testimony may qualify for protection, the Designating Party may invoke on the record (before the deposition, hearing, or other proceeding is concluded) a right to have up to 21 days to identify the specific portions of the testimony as to which protection is sought and to specify the level of protection being asserted. Only those portions of the testimony that are appropriately designated for protection within the 21 days shall be covered by the provisions of this Protective Order. Alternatively, a Designating Party may specify, at the deposition or up to 21 days afterwards if that period is properly invoked, that the entire transcript shall be treated as "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY."

Parties shall give the other parties notice if they reasonably expect a deposition, hearing, or other proceeding to include Protected Material so that the other parties can ensure that only authorized individuals who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A) are present at those proceedings. The use of a document as an exhibit at a deposition shall not in any way affect its designation as "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY."

Transcripts containing Protected Material shall have an obvious legend on the title page that the transcript contains Protected Material, and the title page shall be followed by a list of all pages (including line numbers as appropriate) that have been designated as Protected Material and the level of protection being asserted by the Designating Party. The Designating Party shall inform the court reporter of these requirements. Any transcript that is prepared before the expiration of a 21-day period for designation shall be treated during that period as if it had been designated "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" in its entirety unless otherwise

agreed. After the expiration of that period, the transcript shall be treated only as actually designated.

(c) for information produced in some form other than documentary and for any other tangible items, that the Producing Party affix in a prominent place on the exterior of the container or containers in which the information or item is stored the legend "CONFIDENTIAL," "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY," or "HIGHLY CONFIDENTIAL – SOURCE CODE." If only a portion or portions of the information or item warrant protection, the Producing Party, to the extent practicable, shall identify the protected portion(s) and specify the level of protection being asserted.

5.3 Inadvertent Failures to Designate. If timely corrected, an inadvertent failure to designate qualified information or items does not, standing alone, waive the Designating Party's right to secure protection under this Order for such material. Upon timely correction of a designation, the Receiving Party must make reasonable efforts to assure that the material is treated in accordance with the provisions of this Order.

6. CHALLENGING CONFIDENTIALITY DESIGNATIONS

6.1 Timing of Challenges. Any Party or Non-Party may challenge a designation of confidentiality at any time. Unless a prompt challenge to a Designating Party's confidentiality designation is necessary to avoid foreseeable, substantial unfairness, unnecessary economic burdens, or a significant disruption or delay of the litigation, a Party does not waive its right to challenge a confidentiality designation by electing not to mount a challenge promptly after the original designation is disclosed.

6.2 Meet and Confer. The Challenging Party shall initiate the dispute resolution process by providing written notice of each designation it is challenging and describing the basis for each challenge. To avoid ambiguity as to whether a challenge has been made, the written notice must recite that the challenge to confidentiality is being made in accordance with this specific paragraph of the Protective Order. The parties shall attempt to resolve each challenge in good faith and must begin the process by conferring directly (in voice to voice dialogue; other forms of communication are not sufficient) within 14 days of the date of service of notice. In conferring, the Challenging Party must explain the basis for its belief that the confidentiality designation was not proper and must give the Designating Party an opportunity to review the designated material, to reconsider the circumstances, and, if no change in designation is offered, to explain the basis for the chosen designation. A Challenging Party may proceed to the next stage of the challenge process only if it has engaged in this meet and confer process first or establishes that the Designating Party is unwilling to participate in the meet and confer process in a timely manner.

6.3 Judicial Intervention. If the Parties cannot resolve a challenge without court intervention, the Designating Party shall file and serve a motion to retain confidentiality under Civil Local Rule 7 (and in compliance with Civil Local Rule 79-5, if applicable) within 21 days of the initial notice of challenge or within 14 days of the parties agreeing that the meet and confer process will not resolve their dispute, whichever is earlier. Each such motion must be accompanied by a competent declaration affirming that the movant has complied with the meet and confer requirements imposed in the preceding paragraph. Failure by the Designating Party to make such a motion including the required declaration within 21 days (or 14 days, if applicable) shall automatically waive the confidentiality designation for each challenged designation. In addition, the Challenging Party may file a motion challenging a confidentiality designation at any time if there is good cause for doing so, including a challenge to the designation of a deposition transcript or any portions thereof. Any motion brought pursuant to this provision must be accompanied by a competent declaration affirming that the movant has complied with the meet and confer requirements imposed by the preceding paragraph.

The burden of persuasion in any such challenge proceeding shall be on the Designating Party. Frivolous challenges and those made for an improper purpose (e.g., to harass or impose unnecessary expenses and burdens on other parties) may expose the Challenging Party to sanctions. Unless the Designating Party has waived the confidentiality designation by failing to file a motion to retain confidentiality as described above, all parties shall continue to afford the material in question the level of protection to which it is entitled under the Producing Party's designation until the court rules on the challenge.

7. ACCESS TO AND USE OF PROTECTED MATERIAL

7.1 Basic Principles. A Receiving Party may use Protected Material that is disclosed or produced by another Party or by a Non-Party in connection with this case only for prosecuting, defending, or attempting to settle this litigation. Such Protected Material may be disclosed only to the categories of persons and under the conditions described in this Order. When the litigation has been terminated, a Receiving Party must comply with the provisions of section 15 below (FINAL DISPOSITION).

Protected Material must be stored and maintained by a Receiving Party at a location and in a secure manner that ensures that access is limited to the persons authorized under this Order.

7.2 Disclosure of "CONFIDENTIAL" Information or Items. Unless otherwise ordered by the court or permitted in writing by the Designating Party, a Receiving Party may disclose any information or item designated "CONFIDENTIAL" only to:

(a) the Receiving Party's Outside Counsel of Record in this action, as well as employees of said Outside Counsel of Record to whom it is reasonably necessary to disclose the information for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" that is attached hereto as Exhibit A;

(b) the officers, directors, and employees (including House Counsel) of the Receiving Party to whom disclosure is reasonably necessary for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A);

(c) Experts (as defined in this Order) of the Receiving Party to whom disclosure is reasonably necessary for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A);

(d) the court and its personnel;

(e) court reporters and their staff, professional jury or trial consultants, and Professional Vendors to whom disclosure is reasonably necessary for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A);

(f) during their depositions, witnesses in the action to whom disclosure is reasonably necessary and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A), unless otherwise agreed by the Designating Party or ordered by the court. Pages of transcribed deposition testimony or exhibits to depositions that reveal Protected Material must be separately bound by the court reporter and may not be disclosed to anyone except as permitted under this Protective Order.

(g) the author or recipient of a document containing the information or a custodian or other person who otherwise possessed or knew the information.

7.3 Disclosure of "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" and "HIGHLY CONFIDENTIAL – SOURCE CODE" Information or Items. Unless otherwise ordered by the court or permitted in writing by the Designating Party, a Receiving Party may disclose any information or item designated "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" or "HIGHLY CONFIDENTIAL – SOURCE CODE" only to:

(a) the Receiving Party's Outside Counsel of Record in this action, as well as employees of said Outside Counsel of Record to whom it is reasonably necessary to disclose the information for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" that is attached hereto as Exhibit A;

(b) Designated House Counsel of the Receiving Party (1) who has no involvement in competitive decision-making, (2) to whom disclosure is reasonably necessary for this litigation, (3) who has signed the "Acknowledgment and Agreement to Be Bound"

(Exhibit A), and (4) as to whom the procedures set forth in paragraph 7.4(a)(1), below, have been followed;[13]

(c) Experts of the Receiving Party (1) to whom disclosure is reasonably necessary for this litigation, (2) who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A), and (3) as to whom the procedures set forth in paragraph 7.4(a)(2), below, have been followed;

(d) the court and its personnel;

(e) court reporters and their staff, professional jury or trial consultants, and Professional Vendors to whom disclosure is reasonably necessary for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A); and

(f) the author or recipient of a document containing the information or a custodian or other person who otherwise possessed or knew the information.

7.4 Procedures for Approving or Objecting to Disclosure of "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" or "HIGHLY CONFIDENTIAL – SOURCE CODE" Information or Items to Designated House Counsel or Experts.

(a)(1) Unless otherwise ordered by the court or agreed to in writing by the Designating Party, a Party that seeks to disclose to Designated House Counsel any information or item that has been designated "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" pursuant to paragraph 7.3(b) first must make a written request to the Designating Party that (1) sets forth the full name of the Designated House Counsel and the city and state of his or her residence and (2) describes the Designated House Counsel's current and reasonably foreseeable future primary job duties and responsibilities in sufficient detail to determine if House Counsel is involved, or may become involved, in any competitive decision-making.

(a)(2) Unless otherwise ordered by the court or agreed to in writing by the Designating Party, a Party that seeks to disclose to an Expert (as defined in this Order) any information or item that has been designated "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" or "HIGHLY CONFIDENTIAL – SOURCE CODE" pursuant to paragraph 7.3(c) first must make a written request to the Designating Party that (1) identifies the general categories of "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" or "HIGHLY CONFIDENTIAL – SOURCE CODE" information that the Receiving Party seeks permission to disclose to the Expert, (2) sets forth the full name of the Expert and the city and state of his or her primary residence, (3) attaches

13. This Order contemplates that Designated House Counsel shall not have access to any information or items designated "HIGHLY CONFIDENTIAL – SOURCE CODE."

a copy of the Expert's current resume, (4) identifies the Expert's current employer(s), (5) identifies each person or entity from whom the Expert has received compensation or funding for work in his or her areas of expertise or to whom the expert has provided professional services, including in connection with a litigation, at any time during the preceding five years,[14] and (6) identifies (by name and number of the case, filing date, and location of court) any litigation in connection with which the Expert has offered expert testimony, including through a declaration, report, or testimony at a deposition or trial, during the preceding five years.

(b) A Party that makes a request and provides the information specified in the preceding respective paragraphs may disclose the subject Protected Material to the identified Designated House Counsel or Expert unless, within 14 days of delivering the request, the Party receives a written objection from the Designating Party. Any such objection must set forth in detail the grounds on which it is based.

(c) A Party that receives a timely written objection must meet and confer with the Designating Party (through direct voice to voice dialogue) to try to resolve the matter by agreement within seven days of the written objection. If no agreement is reached, the Party seeking to make the disclosure to Designated House Counsel or the Expert may file a motion as provided in Civil Local Rule 7 (and in compliance with Civil Local Rule 79-5, if applicable) seeking permission from the court to do so. Any such motion must describe the circumstances with specificity, set forth in detail the reasons why disclosure to Designated House Counsel or the Expert is reasonably necessary, assess the risk of harm that the disclosure would entail, and suggest any additional means that could be used to reduce that risk. In addition, any such motion must be accompanied by a competent declaration describing the parties' efforts to resolve the matter by agreement (i.e., the extent and the content of the meet and confer discussions) and setting forth the reasons advanced by the Designating Party for its refusal to approve the disclosure.

In any such proceeding, the Party opposing disclosure to Designated House Counsel or the Expert shall bear the burden of proving that the risk of harm that the disclosure would entail (under the safeguards proposed) outweighs the Receiving Party's need to disclose the Protected Material to its Designated House Counsel or Expert.

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14. If the Expert believes any of this information is subject to a confidentiality obligation to a third-party, then the Expert should provide whatever information the Expert believes can be disclosed without violating any confidentiality agreements, and the Party seeking to disclose to the Expert shall be available to meet and confer with the Designating Party regarding any such engagement.

8. PROSECUTION BAR

Absent written consent from the Producing Party, any individual who receives access to "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" or "HIGHLY CONFIDENTIAL – SOURCE CODE" information shall not be involved in the prosecution of patents or patent applications relating to the subject matter of this action, including without limitation the patents asserted in this action and any patent or application claiming priority to or otherwise related to the patents asserted in this action, before any foreign or domestic agency, including the United States Patent and Trademark Office ("the Patent Office"). For purposes of this paragraph, "prosecution" includes directly or indirectly drafting, amending, advising, or otherwise affecting the scope or maintenance of patent claims.[15] To avoid any doubt, "prosecution" as used in this paragraph does not include representing a party challenging a patent before a domestic or foreign agency (including, but not limited to, a reissue protest, *ex parte* reexamination or *inter partes* reexamination). This Prosecution Bar shall begin when access to "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" or "HIGHLY CONFIDENTIAL – SOURCE CODE" information is first received by the affected individual and shall end two (2) years after final termination of this action.

9. SOURCE CODE

(a) To the extent production of source code becomes necessary in this case, a Producing Party may designate source code as "HIGHLY CONFIDENTIAL – SOURCE CODE" if it comprises or includes confidential, proprietary or trade secret source code.

(b) Protected Material designated as "HIGHLY CONFIDENTIAL – SOURCE CODE" shall be subject to all of the protections afforded to "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information, including the Prosecution Bar set forth in Paragraph 8, and may be disclosed only to the individuals to whom "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information may be disclosed, as set forth in Paragraphs 7.3 and 7.4, with the exception of Designated House Counsel.

(c) Any source code produced in discovery shall be made available for inspection, in a format allowing it to be reasonably reviewed and searched, during normal business hours or at other mutually agreeable times, at an office of the Producing Party's counsel or another mutually agreed upon location. The source code shall be made available for inspection on a secured computer in a secured room without Internet access or network access to other computers, and the Receiving Party shall not copy,

15. Prosecution includes, for example, original prosecution, reissue and reexamination proceedings.

remove, or otherwise transfer any portion of the source code onto any recordable media or recordable device. The Producing Party may visually monitor the activities of the Receiving Party's representatives during any source code review, but only to ensure that there is no unauthorized recording, copying, or transmission of the source code.

(d) The Receiving Party may request paper copies of limited portions of source code that are reasonably necessary for the preparation of court filings, pleadings, expert reports, or other papers, or for deposition or trial, but shall not request paper copies for the purpose of reviewing the source code other than electronically as set forth in paragraph (c) in the first instance. The Producing Party shall provide all such source code in paper form, including bates numbers and the label "HIGHLY CONFIDENTIAL – SOURCE CODE." The Producing Party may challenge the amount of source code requested in hard copy form pursuant to the dispute resolution procedure and timeframes set forth in Paragraph 6 whereby the Producing Party is the "Challenging Party" and the Receiving Party is the "Designating Party" for purposes of dispute resolution.

(e) The Receiving Party shall maintain a record of any individual who has inspected any portion of the source code in electronic or paper form. The Receiving Party shall maintain all paper copies of any printed portions of the source code in a secured, locked area. The Receiving Party shall not create any electronic or other images of the paper copies and shall not convert any of the information contained in the paper copies into any electronic format. The Receiving Party shall only make additional paper copies if such additional copies are (1) necessary to prepare court filings, pleadings, or other papers (including a testifying expert's expert report), (2) necessary for deposition, or (3) otherwise necessary for the preparation of its case. Any paper copies used during a deposition shall be retrieved by the Producing Party at the end of each day and must not be given to or left with a court reporter or any other unauthorized individual.

10. PROTECTED MATERIAL SUBPOENAED OR ORDERED PRODUCED IN OTHER LITIGATION

If a Party is served with a subpoena or a court order issued in other litigation that compels disclosure of any information or items designated in this action as "CONFIDENTIAL," "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY," or "HIGHLY CONFIDENTIAL – SOURCE CODE," that Party must:

(a) promptly notify in writing the Designating Party. Such notification shall include a copy of the subpoena or court order;

(b) promptly notify in writing the party who caused the subpoena or order to issue in the other litigation that some or all of the material covered by the subpoena or order is subject to this Protective Order. Such notification shall include a copy of this Protective Order; and

(c) cooperate with respect to all reasonable procedures sought to be pursued by the Designating Party whose Protected Material may be affected.[16]

If the Designating Party timely seeks a protective order, the Party served with the subpoena or court order shall not produce any information designated in this action as "CONFIDENTIAL," "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY." or "HIGHLY CONFIDENTIAL – SOURCE CODE" before a determination by the court from which the subpoena or order issued, unless the Party has obtained the Designating Party's permission. The Designating Party shall bear the burden and expense of seeking protection in that court of its confidential material – and nothing in these provisions should be construed as authorizing or encouraging a Receiving Party in this action to disobey a lawful directive from another court.

11. A NON-PARTY'S PROTECTED MATERIAL SOUGHT TO BE PRODUCED IN THIS LITIGATION

(a) The terms of this Order are applicable to information produced by a Non-Party in this action and designated as "CONFIDENTIAL," "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY," or "HIGHLY CONFIDENTIAL – SOURCE CODE." Such information produced by Non-Parties in connection with this litigation is protected by the remedies and relief provided by this Order. Nothing in these provisions should be construed as prohibiting a Non-Party from seeking additional protections.

(b) In the event that a Party is required, by a valid discovery request, to produce a Non-Party's confidential information in its possession, and the Party is subject to an agreement with the Non-Party not to produce the Non-Party's confidential information, then the Party shall:

1. promptly notify in writing the Requesting Party and the Non-Party that some or all of the information requested is subject to a confidentiality agreement with a Non-Party;

16. The purpose of imposing these duties is to alert the interested parties to the existence of this Protective Order and to afford the Designating Party in this case an opportunity to try to protect its confidentiality interests in the court from which the subpoena or order issued.

2. promptly provide the Non-Party with a copy of the Protective Order in this litigation, the relevant discovery request(s), and a reasonably specific description of the information requested; and

3. make the information requested available for inspection by the Non-Party.

(c) If the Non-Party fails to object or seek a protective order from this court within 14 days of receiving the notice and accompanying information, the Receiving Party may produce the Non-Party's confidential information responsive to the discovery request. If the Non-Party timely seeks a protective order, the Receiving Party shall not produce any information in its possession or control that is subject to the confidentiality agreement with the Non-Party before a determination by the court.[17] Absent a court order to the contrary, the Non-Party shall bear the burden and expense of seeking protection in this court of its Protected Material.

12. UNAUTHORIZED DISCLOSURE OF PROTECTED MATERIAL

If a Receiving Party learns that, by inadvertence or otherwise, it has disclosed Protected Material to any person or in any circumstance not authorized under this Protective Order, the Receiving Party must immediately (a) notify in writing the Designating Party of the unauthorized disclosures, (b) use its best efforts to retrieve all unauthorized copies of the Protected Material, (c) inform the person or persons to whom unauthorized disclosures were made of all the terms of this Order, and (d) request such person or persons to execute the "Acknowledgment and Agreement to Be Bound" that is attached hereto as Exhibit A.

13. INADVERTENT PRODUCTION OF PRIVILEGED OR OTHERWISE PROTECTED MATERIAL

When a Producing Party gives notice to Receiving Parties that certain inadvertently produced material is subject to a claim of privilege or other protection, the obligations of the Receiving Parties are those set forth in Federal Rule of Civil Procedure 26(b)(5)(B). This provision is not intended to modify whatever procedure may be established in an e-discovery order that provides for production without prior privilege review. Pursuant to Federal Rule of Evidence 502(d) and (e), insofar as the parties reach an agreement on the effect of disclosure of a communication or information

17. The purpose of this provision is to alert the interested parties to the existence of confidentiality rights of a Non-Party and to afford the Non-Party an opportunity to protect its confidentiality interests in this court.

covered by the attorney-client privilege or work product protection, the parties may incorporate their agreement in a stipulated protective order submitted to the court.

14. MISCELLANEOUS

14.1 Right to Further Relief. Nothing in this Order abridges the right of any person to seek its modification by the court in the future.

14.2 Right to Assert Other Objections. No Party waives any right it otherwise would have to object to disclosing or producing any information or item on any ground not addressed in this Protective Order. Similarly, no Party waives any right to object on any ground to use in evidence of any of the material covered by this Protective Order.

14.3 Export Control. Disclosure of Protected Material shall be subject to all applicable laws and regulations relating to the export of technical data contained in such Protected Material, including the release of such technical data to foreign persons or nationals in the United States or elsewhere. The Producing Party shall be responsible for identifying any such controlled technical data, and the Receiving Party shall take measures necessary to ensure compliance.

14.4 Filing Protected Material. Without written permission from the Designating Party or a court order secured after appropriate notice to all interested persons, a Party may not file in the public record in this action any Protected Material. A Party that seeks to file under seal any Protected Material must comply with Civil Local Rule 79-5. Protected Material may only be filed under seal pursuant to a court order authorizing the sealing of the specific Protected Material at issue. Pursuant to Civil Local Rule 79-5, a sealing order will issue only upon a request establishing that the Protected Material at issue is privileged, protectable as a trade secret, or otherwise entitled to protection under the law. If a Receiving Party's request to file Protected Material under seal pursuant to Civil Local Rule 79-5(e) is denied by the court, then the Receiving Party may file the Protected Material in the public record pursuant to Civil Local Rule 79-5(e)(2) unless otherwise instructed by the court.

15. FINAL DISPOSITION

Within 60 days after the final disposition of this action, as defined in paragraph 4, each Receiving Party must return all Protected Material to the Producing Party or destroy such material. As used in this subdivision, "all Protected Material" includes all copies, abstracts, compilations, summaries, and any other format reproducing or capturing any of the Protected Material. Whether the Protected Material is returned or destroyed, the Receiving Party must submit a written certification to the Producing Party (and, if not the same person or entity, to the Designating Party) by the 60 day

deadline that (1) identifies (by category, where appropriate) all the Protected Material that was returned or destroyed and (2) affirms that the Receiving Party has not retained any copies, abstracts, compilations, summaries or any other format reproducing or capturing any of the Protected Material. Notwithstanding this provision, Counsel are entitled to retain an archival copy of all pleadings, motion papers, trial, deposition, and hearing transcripts, legal memoranda, correspondence, deposition and trial exhibits, expert reports, attorney work product, and consultant and expert work product, even if such materials contain Protected Material. Any such archival copies that contain or constitute Protected Material remain subject to this Protective Order as set forth in Section 4 (DURATION).

IT IS SO ORDERED.

DATED: _____

_____

[Name of Judge]

United States District/Magistrate Judge

EXHIBIT A
ACKNOWLEDGMENT AND AGREEMENT TO BE BOUND

I, _____ [print or type full name], of _____ [print or type full address], declare under penalty of perjury that I have read in its entirety and understand the Protective Order that was issued by the United States District Court for the Northern District of California on _____ [date] in the case of _____ **[insert formal name of the case and the number and initials assigned to it by the court]**. I agree to comply with and to be bound by all the terms of this Protective Order, and I understand and acknowledge that failure to so comply could expose me to sanctions and punishment in the nature of contempt. I solemnly promise that I will not disclose in any manner any information or item that is subject to this Protective Order to any person or entity except in strict compliance with the provisions of this Order.

I further agree to submit to the jurisdiction of the United States District Court for the Northern District of California for the purpose of enforcing the terms of this Protective Order, even if such enforcement proceedings occur after termination of this action.

I hereby appoint _____ [print or type full name] of _____ [print or type full address and telephone number] as my California agent for service of process in connection with this action or any proceedings related to enforcement of this Protective Order.

Date: _____

City and State where sworn and signed: _____

Printed name: _____
[printed name]

Signature: _____
[signature]

Appendix 2.4b
Northern District of California, Stipulated Protective Order for Litigation Involving Patents, Highly Sensitive Confidential Information, and/or Trade Secrets

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

Plaintiff, v. Defendant.	Case No. C STIPULATED PROTECTIVE ORDER FOR LITIGATION INVOLVING PATENTS, HIGHLY SENSITIVE CONFIDENTIAL INFORMATION AND/OR TRADE SECRETS

1. PURPOSES AND LIMITATIONS

Disclosure and discovery activity in this action are likely to involve production of confidential, proprietary, or private information for which special protection from public disclosure and from use for any purpose other than prosecuting this litigation may be warranted. Accordingly, the parties hereby stipulate to and petition the court to enter the following Stipulated Protective Order. The parties acknowledge that this Order does not confer blanket protections on all disclosures or responses to discovery and that the protection it affords from public disclosure and use extends only to the limited information or items that are entitled to confidential treatment under the applicable legal principles. The parties further acknowledge, as set forth in Section 14.4, below, that this Stipulated Protective Order does not entitle them to file confidential information under seal; Civil Local Rule 79-5 sets forth the procedures that must be followed and the standards that will be applied when a party seeks permission from the court to file material under seal.

2. DEFINITIONS

2.1 Challenging Party: a Party or Non-Party that challenges the designation of information or items under this Order.

2.2 "CONFIDENTIAL" Information or Items: information (regardless of how it is generated, stored or maintained) or tangible things that qualify for protection under Federal Rule of Civil Procedure 26(c).

2.3 Counsel (without qualifier): Outside Counsel of Record and House Counsel (as well as their support staff).

[2.4 *Optional*: Designated House Counsel: House Counsel who seek access to "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information in this matter.]

2.5 Designating Party: a Party or Non-Party that designates information or items that it produces in disclosures or in responses to discovery as "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"].

2.6 Disclosure or Discovery Material: all items or information, regardless of the medium or manner in which it is generated, stored, or maintained (including, among other things, testimony, transcripts, and tangible things), that are produced or generated in disclosures or responses to discovery in this matter.

2.7 Expert: a person with specialized knowledge or experience in a matter pertinent to the litigation who (1) has been retained by a Party or its counsel to serve as an expert witness or as a consultant in this action, (2) is not a past or current employee of a Party or of a Party's competitor, and (3) at the time of retention, is not anticipated to become an employee of a Party or of a Party's competitor.

2.8 "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" Information or Items: extremely sensitive "Confidential Information or Items," disclosure of which to another Party or Non-Party would create a substantial risk of serious harm that could not be avoided by less restrictive means.

[2.9 *Optional*: "HIGHLY CONFIDENTIAL – SOURCE CODE" Information or Items: extremely sensitive "Confidential Information or Items" representing computer code and associated comments and revision histories, formulas, engineering specifications, or schematics that define or otherwise describe in detail the algorithms or structure of software or hardware designs, disclosure of which to another Party or Non-Party would create a substantial risk of serious harm that could not be avoided by less restrictive means.]

2.10 House Counsel: attorneys who are employees of a party to this action. House Counsel does not include Outside Counsel of Record or any other outside counsel.

2.11 Non-Party: any natural person, partnership, corporation, association, or other legal entity not named as a Party to this action.

2.12 Outside Counsel of Record: attorneys who are not employees of a party to this action but are retained to represent or advise a party to this action and have appeared in this action on behalf of that party or are affiliated with a law firm which has appeared on behalf of that party.

2.13 Party: any party to this action, including all of its officers, directors, employees, consultants, retained experts, and Outside Counsel of Record (and their support staffs).

2.14 Producing Party: a Party or Non-Party that produces Disclosure or Discovery Material in this action.

2.15 Professional Vendors: persons or entities that provide litigation support services (e.g., photocopying, videotaping, translating, preparing exhibits or demonstrations, and organizing, storing, or retrieving data in any form or medium) and their employees and subcontractors.

2.16 Protected Material: any Disclosure or Discovery Material that is designated as "CONFIDENTIAL," or as "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY." [*Optional*: or as "HIGHLY CONFIDENTIAL – SOURCE CODE."]

2.17 Receiving Party: a Party that receives Disclosure or Discovery Material from a Producing Party.

3. SCOPE

The protections conferred by this Stipulation and Order cover not only Protected Material (as defined above), but also (1) any information copied or extracted from Protected Material; (2) all copies, excerpts, summaries, or compilations of Protected Material; and (3) any testimony, conversations, or presentations by Parties or their Counsel that might reveal Protected Material. However, the protections conferred by this Stipulation and Order do not cover the following information: (a) any information that is in the public domain at the time of disclosure to a Receiving Party or becomes part of the public domain after its disclosure to a Receiving Party as a result of publication not involving a violation of this Order, including becoming part of the public record through trial or otherwise; and (b) any information known to the Receiving Party prior to the disclosure or obtained by the Receiving Party after the disclosure from a source who obtained the information lawfully and under no obligation of confidentiality to the Designating Party. Any use of Protected Material at trial shall be governed by a separate agreement or order.

4. DURATION

Even after final disposition of this litigation, the confidentiality obligations imposed by this Order shall remain in effect until a Designating Party agrees otherwise in writing or a court order otherwise directs. Final disposition shall be deemed to be the later of (1) dismissal of all claims and defenses in this action, with or without prejudice; and (2) final judgment herein after the completion and exhaustion of all appeals, rehearings, remands, trials, or reviews of this action, including the time limits for filing any motions or applications for extension of time pursuant to applicable law.

5. DESIGNATING PROTECTED MATERIAL

5.1 Exercise of Restraint and Care in Designating Material for Protection. Each Party or Non-Party that designates information or items for protection under this Order must take care to limit any such designation to specific material that qualifies under the appropriate standards. To the extent it is practical to do so, the Designating Party must designate for protection only those parts of material, documents, items, or oral or written communications that qualify – so that other portions of the material, documents, items, or communications for which protection is not warranted are not swept unjustifiably within the ambit of this Order.

Mass, indiscriminate, or routinized designations are prohibited. Designations that are shown to be clearly unjustified or that have been made for an improper purpose (e.g., to unnecessarily encumber or retard the case development process or to impose unnecessary expenses and burdens on other parties) expose the Designating Party to sanctions.

If it comes to a Designating Party's attention that information or items that it designated for protection do not qualify for protection at all or do not qualify for the level of protection initially asserted, that Designating Party must promptly notify all other parties that it is withdrawing the mistaken designation.

5.2 Manner and Timing of Designations. Except as otherwise provided in this Order (see, e.g., second paragraph of section 5.2(a) below), or as otherwise stipulated or ordered, Disclosure or Discovery

Material that qualifies for protection under this Order must be clearly so designated before the material is disclosed or produced.

Designation in conformity with this Order requires:

(a) for information in documentary form (e.g., paper or electronic documents, but excluding transcripts of depositions or other pretrial or trial proceedings), that the Producing Party affix the legend "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"] to each page that contains protected material. If only a portion or portions of the material on a page qualifies for protection, the Producing Party also must clearly identify the protected portion(s) (e.g., by making appropriate markings in the margins) and must specify, for each portion, the level of protection being asserted.

A Party or Non-Party that makes original documents or materials available for inspection need not designate them for protection until after the inspecting Party has indicated which material it would like copied and produced. During the inspection and before the designation, all of the material made available for inspection shall be deemed "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY." After the inspecting Party has identified the documents it wants copied and produced, the Producing Party must determine which documents, or portions thereof, qualify for pro-

tection under this Order. Then, before producing the specified documents, the Producing Party must affix the appropriate legend ("CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional:* or "HIGHLY CONFIDENTIAL – SOURCE CODE]) to each page that contains Protected Material. If only a portion or portions of the material on a page qualifies for protection, the Producing Party also must clearly identify the protected portion(s) (e.g., by making appropriate markings in the margins) and must specify, for each portion, the level of protection being asserted.

(b) for testimony given in deposition or in other pretrial or trial proceedings, that the Designating Party identify on the record, before the close of the deposition, hearing, or other proceeding, all protected testimony and specify the level of protection being asserted. When it is impractical to identify separately each portion of testimony that is entitled to protection and it appears that substantial portions of the testimony may qualify for protection, the Designating Party may invoke on the record (before the deposition, hearing, or other proceeding is concluded) a right to have up to 21 days to identify the specific portions of the testimony as to which protection is sought and to specify the level of protection being asserted. Only those portions of the testimony that are appropriately designated for protection within the 21 days shall be covered by the provisions of this Stipulated Protective Order. Alternatively, a Designating Party may specify, at the deposition or up to 21 days afterwards if that period is properly invoked, that the entire transcript shall be treated as "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY."

Parties shall give the other parties notice if they reasonably expect a deposition, hearing or other proceeding to include Protected Material so that the other parties can ensure that only authorized individuals who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A) are present at those proceedings. The use of a document as an exhibit at a deposition shall not in any way affect its designation as "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY."

Transcripts containing Protected Material shall have an obvious legend on the title page that the transcript contains Protected Material, and the title page shall be followed by a list of all pages (including line numbers as appropriate) that have been designated as Protected Material and the level of protection being asserted by the Designating Party. The Designating Party shall inform the court reporter of these requirements. Any transcript that is prepared before the expiration of a 21-day period for designation shall be treated during that period as if it had been designated "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" in its entirety unless otherwise agreed. After the expiration of that period, the transcript shall be treated only as actually designated.

(c) for information produced in some form other than documentary and for any other tangible items, that the Producing Party affix in a prominent place on the exteri-

or of the container or containers in which the information or item is stored the legend "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"]. If only a portion or portions of the information or item warrant protection, the Producing Party, to the extent practicable, shall identify the protected portion(s) and specify the level of protection being asserted.

5.3 Inadvertent Failures to Designate. If timely corrected, an inadvertent failure to designate qualified information or items does not, standing alone, waive the Designating Party's right to secure protection under this Order for such material. Upon timely correction of a designation, the Receiving Party must make reasonable efforts to assure that the material is treated in accordance with the provisions of this Order.

6. CHALLENGING CONFIDENTIALITY DESIGNATIONS

6.1 Timing of Challenges. Any Party or Non-Party may challenge a designation of confidentiality at any time. Unless a prompt challenge to a Designating Party's confidentiality designation is necessary to avoid foreseeable, substantial unfairness, unnecessary economic burdens, or a significant disruption or delay of the litigation, a Party does not waive its right to challenge a confidentiality designation by electing not to mount a challenge promptly after the original designation is disclosed.

6.2 Meet and Confer. The Challenging Party shall initiate the dispute resolution process by providing written notice of each designation it is challenging and describing the basis for each challenge. To avoid ambiguity as to whether a challenge has been made, the written notice must recite that the challenge to confidentiality is being made in accordance with this specific paragraph of the Protective Order. The parties shall attempt to resolve each challenge in good faith and must begin the process by conferring directly (in voice to voice dialogue; other forms of communication are not sufficient) within 14 days of the date of service of notice. In conferring, the Challenging Party must explain the basis for its belief that the confidentiality designation was not proper and must give the Designating Party an opportunity to review the designated material, to reconsider the circumstances, and, if no change in designation is offered, to explain the basis for the chosen designation. A Challenging Party may proceed to the next stage of the challenge process only if it has engaged in this meet and confer process first or establishes that the Designating Party is unwilling to participate in the meet and confer process in a timely manner.

6.3 Judicial Intervention. If the Parties cannot resolve a challenge without court intervention, the Designating Party shall file and serve a motion to retain confidentiality under Civil Local Rule 7 (and in compliance with Civil Local Rule 79-5, if applicable) within 21 days of the initial notice of challenge or within 14 days of the parties agreeing that the meet and confer process will not resolve their dispute, whichever is

earlier.[18] Each such motion must be accompanied by a competent declaration affirming that the movant has complied with the meet and confer requirements imposed in the preceding paragraph. Failure by the Designating Party to make such a motion including the required declaration within 21 days (or 14 days, if applicable) shall automatically waive the confidentiality designation for each challenged designation. In addition, the Challenging Party may file a motion challenging a confidentiality designation at any time if there is good cause for doing so, including a challenge to the designation of a deposition transcript or any portions thereof. Any motion brought pursuant to this provision must be accompanied by a competent declaration affirming that the movant has complied with the meet and confer requirements imposed by the preceding paragraph.

The burden of persuasion in any such challenge proceeding shall be on the Designating Party. Frivolous challenges and those made for an improper purpose (e.g., to harass or impose unnecessary expenses and burdens on other parties) may expose the Challenging Party to sanctions. Unless the Designating Party has waived the confidentiality designation by failing to file a motion to retain confidentiality as described above, all parties shall continue to afford the material in question the level of protection to which it is entitled under the Producing Party's designation until the court rules on the challenge.

7. ACCESS TO AND USE OF PROTECTED MATERIAL

7.1 Basic Principles. A Receiving Party may use Protected Material that is disclosed or produced by another Party or by a Non-Party in connection with this case only for prosecuting, defending, or attempting to settle this litigation. Such Protected Material may be disclosed only to the categories of persons and under the conditions described in this Order. When the litigation has been terminated, a Receiving Party must comply with the provisions of section 15 below (FINAL DISPOSITION).

Protected Material must be stored and maintained by a Receiving Party at a location and in a secure manner[19] that ensures that access is limited to the persons authorized under this Order.

7.2 Disclosure of "CONFIDENTIAL" Information or Items. Unless otherwise ordered by the court or permitted in writing by the Designating Party, a Receiving Party may disclose any information or item designated "CONFIDENTIAL" only to:

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18. Alternative: It may be appropriate in certain circumstances for the parties to agree to shift the burden to move on the Challenging Party after a certain number of challenges are made to avoid an abuse of the process. The burden of persuasion would remain on the Designating Party.

19. It may be appropriate under certain circumstances to require the Receiving Party to store any electronic Protected Material in password-protected form.

(a) the Receiving Party's Outside Counsel of Record in this action, as well as employees of said Outside Counsel of Record to whom it is reasonably necessary to disclose the information for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" that is attached hereto as Exhibit A;

(b) the officers, directors, and employees (including House Counsel) of the Receiving Party to whom disclosure is reasonably necessary for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A);

(c) Experts (as defined in this Order) of the Receiving Party to whom disclosure is reasonably necessary for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A);

(d) the court and its personnel;

(e) court reporters and their staff, professional jury or trial consultants, and Professional Vendors to whom disclosure is reasonably necessary for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A);

(f) during their depositions, witnesses in the action to whom disclosure is reasonably necessary and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A), unless otherwise agreed by the Designating Party or ordered by the court. Pages of transcribed deposition testimony or exhibits to depositions that reveal Protected Material must be separately bound by the court reporter and may not be disclosed to anyone except as permitted under this Stipulated Protective Order.

(g) the author or recipient of a document containing the information or a custodian or other person who otherwise possessed or knew the information.

7.3 Disclosure of "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: and "HIGHLY CONFIDENTIAL – SOURCE CODE"] Information or Items. Unless otherwise ordered by the court or permitted in writing by the Designating Party, a Receiving Party may disclose any information or item designated "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"] only to:

(a) the Receiving Party's Outside Counsel of Record in this action, as well as employees of said Outside Counsel of Record to whom it is reasonably necessary to disclose the information for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" that is attached hereto as Exhibit A;

[(b) *Optional as deemed appropriate in case-specific circumstances:* Designated House Counsel of the Receiving Party[20] (1) who has no involvement in competitive

20. It may be appropriate under certain circumstances to limit the number of Designated House Counsel who may access "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information under this provision.

decision-making, (2) to whom disclosure is reasonably necessary for this litigation, (3) who has signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A), and (4) as to whom the procedures set forth in paragraph 7.4(a)(1), below, have been followed];[21]

(c) Experts of the Receiving Party (1) to whom disclosure is reasonably necessary for this litigation, (2) who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A), and (3) as to whom the procedures set forth in paragraph 7.4(a)(2), below, have been followed];

(d) the court and its personnel;

(e) court reporters and their staff, professional jury or trial consultants,[22] and Professional Vendors to whom disclosure is reasonably necessary for this litigation and who have signed the "Acknowledgment and Agreement to Be Bound" (Exhibit A); and

(f) the author or recipient of a document containing the information or a custodian or other person who otherwise possessed or knew the information.

7.4 Procedures for Approving or Objecting to Disclosure of "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"] Information or Items to Designated House Counsel[23] or Experts.[24]

(a)(1) Unless otherwise ordered by the court or agreed to in writing by the Designating Party, a Party that seeks to disclose to Designated House Counsel any information or item that has been designated "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" pursuant to paragraph 7.3(b) first must make a written request to the Designating Party that (1) sets forth the full name of the Designated House

21. This Order contemplates that Designated House Counsel shall not have access to any information or items designated "HIGHLY CONFIDENTIAL – SOURCE CODE." It may also be appropriate under certain circumstances to limit how Designated House Counsel may access "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information. For example, Designated House Counsel may be limited to viewing "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information only if it is filed with the court under seal, or in the presence of Outside Counsel of Record at their offices.

22. *Alternative:* The parties may wish to allow disclosure of information not only to professional jury or trial consultants, but also to mock jurors, to further trial preparation. In that situation, the parties may wish to draft a simplified, precisely tailored Undertaking for mock jurors to sign.

23. *Alternative*: The parties may exchange names of a certain number of Designated House Counsel instead of following this procedure.

24. *Alternative:* "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information or items may be disclosed to an Expert without disclosure of the identity of the Expert as long as the Expert is not a current officer, director, or employee of a competitor of a Party or anticipated to become one.

Counsel and the city and state of his or her residence, and (2) describes the Designated House Counsel's current and reasonably foreseeable future primary job duties and responsibilities in sufficient detail to determine if House Counsel is involved, or may become involved, in any competitive decision-making.[25]

(a)(2) Unless otherwise ordered by the court or agreed to in writing by the Designating Party, a Party that seeks to disclose to an Expert (as defined in this Order) any information or item that has been designated "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"] pursuant to paragraph 7.3(c) first must make a written request to the Designating Party that (1) identifies the general categories of "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"] information that the Receiving Party seeks permission to disclose to the Expert, (2) sets forth the full name of the Expert and the city and state of his or her primary residence, (3) attaches a copy of the Expert's current resume, (4) identifies the Expert's current employer(s), (5) identifies each person or entity from whom the Expert has received compensation or funding for work in his or her areas of expertise or to whom the expert has provided professional services, including in connection with a litigation, at any time during the preceding five years,[26] and (6) identifies (by name and number of the case, filing date, and location of court) any litigation in connection with which the Expert has offered expert testimony, including through a declaration, report, or testimony at a deposition or trial, during the preceding five years.[27]

(b) A Party that makes a request and provides the information specified in the preceding respective paragraphs may disclose the subject Protected Material to the identified Designated House Counsel or Expert unless, within 14 days of delivering the request, the Party receives a written objection from the Designating Party. Any such objection must set forth in detail the grounds on which it is based.

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25. It may be appropriate in certain circumstances to require any Designated House Counsel who receives "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information pursuant to this Order to disclose any relevant changes in job duties or responsibilities prior to final disposition of the litigation to allow the Designating Party to evaluate any later-arising competitive decision-making responsibilities.

26. If the Expert believes any of this information is subject to a confidentiality obligation to a third-party, then the Expert should provide whatever information the Expert believes can be disclosed without violating any confidentiality agreements, and the Party seeking to disclose to the Expert shall be available to meet and confer with the Designating Party regarding any such engagement.

27. It may be appropriate in certain circumstances to restrict the Expert from undertaking certain limited work prior to the termination of the litigation that could foreseeably result in an improper use of the Designating Party's "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information.

(c) A Party that receives a timely written objection must meet and confer with the Designating Party (through direct voice to voice dialogue) to try to resolve the matter by agreement within seven days of the written objection. If no agreement is reached, the Party seeking to make the disclosure to Designated House Counsel or the Expert may file a motion as provided in Civil Local Rule 7 (and in compliance with Civil Local Rule 79-5, if applicable) seeking permission from the court to do so. Any such motion must describe the circumstances with specificity, set forth in detail the reasons why the disclosure to Designated House Counsel or the Expert is reasonably necessary, assess the risk of harm that the disclosure would entail, and suggest any additional means that could be used to reduce that risk. In addition, any such motion must be accompanied by a competent declaration describing the parties' efforts to resolve the matter by agreement (i.e., the extent and the content of the meet and confer discussions) and setting forth the reasons advanced by the Designating Party for its refusal to approve the disclosure.

In any such proceeding, the Party opposing disclosure to Designated House Counsel or the Expert shall bear the burden of proving that the risk of harm that the disclosure would entail (under the safeguards proposed) outweighs the Receiving Party's need to disclose the Protected Material to its Designated House Counsel or Expert.

8. PROSECUTION BAR [*Optional*]

Absent written consent from the Producing Party, any individual who receives access to "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"] information shall not be involved in the prosecution of patents or patent applications relating to [insert subject matter of the invention and of highly confidential technical information to be produced], including without limitation the patents asserted in this action and any patent or application claiming priority to or otherwise related to the patents asserted in this action, before any foreign or domestic agency, including the United States Patent and Trademark Office ("the Patent Office").[28] For purposes of this paragraph, "prosecution" includes directly or indirectly drafting, amending, advising, or otherwise affecting the scope or maintenance of patent claims.[29] To avoid any doubt, "prosecution" as used in this paragraph does not include representing a party challenging a patent before a domestic or foreign agency (including, but not limited to, a reissue protest, *ex parte* reexamination or *inter partes* reexamination). This Prosecution Bar shall begin when access to "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or

28. It may be appropriate under certain circumstances to require Outside and House Counsel who receive access to "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information to implement an "Ethical Wall."

29. Prosecution includes, for example, original prosecution, reissue and reexamination proceedings.

"HIGHLY CONFIDENTIAL – SOURCE CODE"] information is first received by the affected individual and shall end two (2) years after final termination of this action.[30]

9. SOURCE CODE [*Optional*]

(a) To the extent production of source code becomes necessary in this case, a Producing Party may designate source code as "HIGHLY CONFIDENTIAL - SOURCE CODE" if it comprises or includes confidential, proprietary or trade secret source code.

(b) Protected Material designated as "HIGHLY CONFIDENTIAL – SOURCE CODE" shall be subject to all of the protections afforded to "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information [*Optional*: including the Prosecution Bar set forth in Paragraph 8], and may be disclosed only to the individuals to whom "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information may be disclosed, as set forth in Paragraphs 7.3 and 7.4, with the exception of Designated House Counsel.[31]

(c) Any source code produced in discovery shall be made available for inspection, in a format allowing it to be reasonably reviewed and searched, during normal business hours or at other mutually agreeable times, at an office of the Producing Party's counsel or another mutually agreed upon location.[32] The source code shall be made available for inspection on a secured computer in a secured room without Internet access or network access to other computers, and the Receiving Party shall not copy, remove, or otherwise transfer any portion of the source code onto any recordable media or recordable device. The Producing Party may visually monitor the activities of the Receiving Party's representatives during any source code review, but only to ensure that there is no unauthorized recording, copying, or transmission of the source code.[33]

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30. *Alternative:* It may be appropriate for the Prosecution Bar to apply only to individuals who receive access to another party's "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" technical or source code information pursuant to this Order, such as under circumstances where one or more parties is not expected to produce "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" information that is technical in nature or "HIGHLY CONFIDENTIAL – SOURCE CODE" information,

31. It may be appropriate under certain circumstances to allow House Counsel access to derivative materials including "HIGHLY CONFIDENTIAL - SOURCE CODE" information, such as exhibits to motions or expert reports,

32. *Alternative*: Any source code produced in discovery shall be made available for inspection in a format through which it could be reasonably reviewed and searched during normal business hours or other mutually agreeable times at a location that is reasonably convenient for the Receiving Party and any experts to whom the source code may be disclosed. This alternative may be appropriate if the Producing Party and/or its counsel are located in a different jurisdiction than counsel and/or experts for the Receiving Party.

33. It may be appropriate under certain circumstances to require the Receiving Party to keep a paper log indicating the names of any individuals inspecting the source code and dates

(d) The Receiving Party may request paper copies of limited portions of source code that are reasonably necessary for the preparation of court filings, pleadings, expert reports, or other papers, or for deposition or trial, but shall not request paper copies for the purposes of reviewing the source code other than electronically as set forth in paragraph (c) in the first instance. The Producing Party shall provide all such source code in paper form including bates numbers and the label "HIGHLY CONFIDENTIAL - SOURCE CODE." The Producing Party may challenge the amount of source code requested in hard copy form pursuant to the dispute resolution procedure and timeframes set forth in Paragraph 6 whereby the Producing Party is the "Challenging Party" and the Receiving Party is the "Designating Party" for purposes of dispute resolution.

(e) The Receiving Party shall maintain a record of any individual who has inspected any portion of the source code in electronic or paper form. The Receiving Party shall maintain all paper copies of any printed portions of the source code in a secured, locked area. The Receiving Party shall not create any electronic or other images of the paper copies and shall not convert any of the information contained in the paper copies into any electronic format. The Receiving Party shall only make additional paper copies if such additional copies are (1) necessary to prepare court filings, pleadings, or other papers (including a testifying expert's expert report), (2) necessary for deposition, or (3) otherwise necessary for the preparation of its case. Any paper copies used during a deposition shall be retrieved by the Producing Party at the end of each day and must not be given to or left with a court reporter or any other unauthorized individual.[34]

10. PROTECTED MATERIAL SUBPOENAED OR ORDERED PRODUCED IN OTHER LITIGATION

If a Party is served with a subpoena or a court order issued in other litigation that compels disclosure of any information or items designated in this action as "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"] that Party must:

(a) promptly notify in writing the Designating Party. Such notification shall include a copy of the subpoena or court order;

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and times of inspection, and the names of any individuals to whom paper copies of portions of source code are provided.

34. The nature of the source code at issue in a particular case may warrant additional protections or restrictions, For example, it may be appropriate under certain circumstances to require the Receiving Party to provide notice to the Producing Party before including "HIGHLY CONFIDENTIAL – SOURCE CODE" information in a court filing, pleading, or expert report.

(b) promptly notify in writing the party who caused the subpoena or order to issue in the other litigation that some or all of the material covered by the subpoena or order is subject to this Protective Order. Such notification shall include a copy of this Stipulated Protective Order; and

(c) cooperate with respect to all reasonable procedures sought to be pursued by the Designating Party whose Protected Material may be affected.[35]

If the Designating Party timely seeks a protective order, the Party served with the subpoena or court order shall not produce any information designated in this action as "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional*: or "HIGHLY CONFIDENTIAL – SOURCE CODE"] before a determination by the court from which the subpoena or order issued, unless the Party has obtained the Designating Party's permission. The Designating Party shall bear the burden and expense of seeking protection in that court of its confidential material – and nothing in these provisions should be construed as authorizing or encouraging a Receiving Party in this action to disobey a lawful directive from another court.

11. A NON-PARTY'S PROTECTED MATERIAL SOUGHT TO BE PRODUCED IN THIS LITIGATION

(a) The terms of this Order are applicable to information produced by a Non-Party in this action and designated as "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL – ATTORNEYS' EYES ONLY" [*Optional:* or "HIGHLY CONFIDENTIAL – SOURCE CODE"]. Such information produced by Non-Parties in connection with this litigation is protected by the remedies and relief provided by this Order. Nothing in these provisions should be construed as prohibiting a Non-Party from seeking additional protections.

(b) In the event that a Party is required, by a valid discovery request, to produce a Non-Party's confidential information in its possession, and the Party is subject to an agreement with the Non-Party not to produce the Non-Party's confidential information, then the Party shall:

1. promptly notify in writing the Requesting Party and the Non-Party that some or all of the information requested is subject to a confidentiality agreement with a Non-Party;

2. promptly provide the Non-Party with a copy of the Stipulated Protective Order in this litigation, the relevant discovery request(s), and a reasonably specific description of the information requested; and

35. The purpose of imposing these duties is to alert the interested parties to the existence of this Protective Order and to afford the Designating Party in this case an opportunity to try to protect its confidentiality interests in the court from which the subpoena or order issued.

3. make the information requested available for inspection by the Non-Party.

(c) If the Non-Party fails to object or seek a protective order from this court within 14 days of receiving the notice and accompanying information, the Receiving Party may produce the Non-Party's confidential information responsive to the discovery request. If the Non-Party timely seeks a protective order, the Receiving Party shall not produce any information in its possession or control that is subject to the confidentiality agreement with the Non-Party before a determination by the court.[36] Absent a court order to the contrary, the Non-Party shall bear the burden and expense of seeking protection in this court of its Protected Material.

12. UNAUTHORIZED DISCLOSURE OF PROTECTED MATERIAL

If a Receiving Party learns that, by inadvertence or otherwise, it has disclosed Protected Material to any person or in any circumstance not authorized under this Stipulated Protective Order, the Receiving Party must immediately (a) notify in writing the Designating Party of the unauthorized disclosures, (b) use its best efforts to retrieve all unauthorized copies of the Protected Material, (c) inform the person or persons to whom unauthorized disclosures were made of all the terms of this Order, and (d) request such person or persons to execute the "Acknowledgment and Agreement to Be Bound" that is attached hereto as Exhibit A.

13. INADVERTENT PRODUCTION OF PRIVILEGED OR OTHERWISE PROTECTED MATERIAL

When a Producing Party gives notice to Receiving Parties that certain inadvertently produced material is subject to a claim of privilege or other protection, the obligations of the Receiving Parties are those set forth in Federal Rule of Civil Procedure 26(b)(5)(B).[37] This provision is not intended to modify whatever procedure may be

36. The purpose of this provision is to alert the interested parties to the existence of confidentiality rights of a Non-Party and to afford the Non-Party an opportunity to protect its confidentiality interests in this court.

37. *Alternative*: The parties may agree that the recipient of an inadvertent production may not "sequester" or in any way use the document(s) pending resolution of a challenge to the claim of privilege or other protection to the extent it would be otherwise allowed by Federal Rule of Civil Procedure 26(b)(5)(B) as amended in 2006. This could include a restriction against "presenting" the document(s) to the court to challenge the privilege claim as may otherwise be allowed under Rule 26(b)(5)(B) subject to ethical obligations.

An alternate provision could state: "If information is produced in discovery that is subject to a claim of privilege or of protection as trial-preparation material, the party making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return or destroy the specified information and any copies it has and may not sequester, use or disclose the information until the claim is resolved. This includes a restriction against presenting the information to the court for a determination of the claim."

established in an e-discovery order that provides for production without prior privilege review. Pursuant to Federal Rule of Evidence 502(d) and (e), insofar as the parties reach an agreement on the effect of disclosure of a communication or information covered by the attorney-client privilege or work product protection, the parties may incorporate their agreement in the stipulated protective order submitted to the court.

14. MISCELLANEOUS

14.1 Right to Further Relief. Nothing in this Order abridges the right of any person to seek its modification by the court in the future.

14.2 Right to Assert Other Objections. By stipulating to the entry of this Protective Order no Party waives any right it otherwise would have to object to disclosing or producing any information or item on any ground not addressed in this Stipulated Protective Order. Similarly, no Party waives any right to object on any ground to use in evidence of any of the material covered by this Protective Order.

[14.3 *Optional:* Export Control. Disclosure of Protected Material shall be subject to all applicable laws and regulations relating to the export of technical data contained in such Protected Material, including the release of such technical data to foreign persons or nationals in the United States or elsewhere. The Producing Party shall be responsible for identifying any such controlled technical data, and the Receiving Party shall take measures necessary to ensure compliance.]

14.4 Filing Protected Material. Without written permission from the Designating Party or a court order secured after appropriate notice to all interested persons, a Party may not file in the public record in this action any Protected Material. A Party that seeks to file under seal any Protected Material must comply with Civil Local Rule 79-5. Protected Material may only be filed under seal pursuant to a court order authorizing the sealing of the specific Protected Material at issue. Pursuant to Civil Local Rule 79-5, a sealing order will issue only upon a request establishing that the Protected Material at issue is privileged, protectable as a trade secret, or otherwise entitled to protection under the law. If a Receiving Party's request to file Protected Material under seal pursuant to Civil Local Rule 79-5(e) is denied by the court, then the Receiving Party may file the Protected Material in the public record pursuant to Civil Local Rule 79-5(e)(2) unless otherwise instructed by the court.

15. FINAL DISPOSITION

Within 60 days after the final disposition of this action, as defined in paragraph 4, each Receiving Party must return all Protected Material to the Producing Party or destroy such material. As used in this subdivision, "all Protected Material" includes all copies, abstracts, compilations, summaries, and any other format reproducing or capturing any of the Protected Material. Whether the Protected Material is returned or destroyed, the Receiving Party must submit a written certification to the Producing Party (and, if not the same person or entity, to the Designating Party) by the 60-day

deadline that (1) identifies (by category, where appropriate) all the Protected Material that was returned or destroyed and (2) affirms that the Receiving Party has not retained any copies, abstracts, compilations, summaries or any other format reproducing or capturing any of the Protected Material. Notwithstanding this provision, Counsel are entitled to retain an archival copy of all pleadings, motion papers, trial, deposition, and hearing transcripts, legal memoranda, correspondence, deposition and trial exhibits, expert reports, attorney work product, and consultant and expert work product, even if such materials contain Protected Material. Any such archival copies that contain or constitute Protected Material remain subject to this Protective Order as set forth in Section 4 (DURATION).

IT IS SO STIPULATED, THROUGH COUNSEL OF RECORD.

DATED: _____ _____

Attorneys for Plaintiff

DATED: _____ _____

Attorneys for Defendant

PURSUANT TO STIPULATION, IT IS SO ORDERED.

DATED: _____ _____

[Name of Judge]

United States District/Magistrate Judge

EXHIBIT A

ACKNOWLEDGMENT AND AGREEMENT TO BE BOUND

I, _____ [print or type full name], of _____ [print or type full address], declare under penalty of perjury that I have read in its entirety and understand the Stipulated Protective Order that was issued by the United States District Court for the Northern District of California on [date] in the case of _____ **[insert formal name of the case and the number and initials assigned to it by the court]**. I agree to comply with and to be bound by all the terms of this Stipulated Protective Order and I understand and acknowledge that failure to so comply could expose me to sanctions and punishment in the nature of contempt. I solemnly promise that I will not disclose in any manner any information or item that is subject to this Stipulated Protective Order to any person or entity except in strict compliance with the provisions of this Order.

I further agree to submit to the jurisdiction of the United States District Court for the Northern District of California for the purpose of enforcing the terms of this Stipulated Protective Order, even if such enforcement proceedings occur after termination of this action.

I hereby appoint _____ [print or type full name] of _____ [print or type full address and telephone number] as my California agent for service of process in connection with this action or any proceedings related to enforcement of this Stipulated Protective Order.

Date: _____

City and State where sworn and signed: _____

Printed name: _____
[printed name]

Signature: _____
[signature]

Appendix 2.4c
Model Protective Order from the Northern District of Illinois

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

_____,	)	
Plaintiff[s],	)	
	)	
	)	
vs.	)	Case No. _____
	)	
_____,	)	
Defendant[s].	)	

PROTECTIVE ORDER

The Court enters the following protective order pursuant to Federal Rule of Civil Procedure 26(c)(1).

1. Findings: The Court finds that the parties to this case may request or produce information involving trade secrets or confidential research and development or commercial information, the disclosure of which is likely to cause harm to the party producing such information.

2. Definitions:

a. "Party" means a named party in this case. "Person" means an individual or an entity. "Producer" means a person who produces information via the discovery process in this case. "Recipient" means a person who receives information via the discovery process in this case.

b. "Confidential" information is information concerning a person's business operations, processes, and technical and development information within the scope of Rule 26(c)(1)(G), the disclosure of which is likely to harm that person's competitive position, or the disclosure of which would contravene an obligation of confidentiality to a third person or to a Court.

c. "Highly Confidential" information is information within the scope of Rule 26(c)(1)(G) that is current or future business or technical trade secrets and plans more sensitive or strategic than Confidential information, the disclosure of which is likely to significantly harm that person's competitive position, or the disclosure of which would contravene an obligation of confidentiality to a third person or to a Court.

d. Information is not Confidential or Highly Confidential if it is disclosed in a printed publication, is known to the public, was known to the recipient without obligation of confidentiality before the producer disclosed it, or is or becomes known to the recipient by means not constituting a breach of this Order. Information is likewise

not Confidential or Highly Confidential if a person lawfully obtained it independently of this litigation.

3. Designation of information as Confidential or Highly Confidential:

a. A person's designation of information as Confidential or Highly Confidential means that the person believes in good faith, upon reasonable inquiry, that the information qualifies as such.

b. A person designates information in a document or thing as Confidential or Highly Confidential by clearly and prominently marking it on its face as "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL." A producer may make documents or things containing Confidential or Highly Confidential information available for inspection and copying without marking them as confidential without forfeiting a claim of confidentiality, so long as the producer causes copies of the documents or things to be marked as Confidential or Highly Confidential before providing them to the recipient.

c. A person designates information in deposition testimony as Confidential or Highly Confidential by stating on the record at the deposition that the information is Confidential or Highly Confidential or by advising the opposing party and the stenographer and videographer in writing, within fourteen days after receipt of the deposition transcript, that the information is Confidential or Highly Confidential.

d. A person's failure to designate a document, thing, or testimony as Confidential or Highly Confidential does not constitute forfeiture of a claim of confidentiality as to any other document, thing, or testimony.

e. A person who has designated information as Confidential or Highly Confidential may withdraw the designation by written notification to all parties in the case.

f. If a party disputes a producer's designation of information as Confidential or Highly Confidential, the party shall notify the producer in writing of the basis for the dispute, identifying the specific document[s] or thing[s] as to which the designation is disputed and proposing a new designation for such materials. The party and the producer shall then meet and confer to attempt to resolve the dispute without involvement of the Court. If they cannot resolve the dispute, the proposed new designation shall be applied fourteen (14) days after notice of the dispute unless within that fourteen day period the producer files a motion with the Court to maintain the producer's designation. The producer bears the burden of proving that the information is properly designated as Confidential or Highly Confidential. The information shall remain subject to the producer's Confidential or Highly Confidential designation until the Court rules on the dispute. A party's failure to contest a designation of information as Confidential or Highly Confidential is not an admission that the information was properly designated as such.

4. Use and disclosure of Confidential [or Highly Confidential] information:

a. Confidential and Highly Confidential information may be used exclusively for purposes of this litigation, subject to the restrictions of this order.

b. Absent written permission from the producer or further order by the Court, the recipient may not disclose Confidential information to any person other than the following: (i) a party's outside counsel of record, including necessary paralegal, secretarial and clerical personnel assisting such counsel; (ii) a party's in-house counsel; (iii)

a party's officers and employees directly involved in this case whose access to the information is reasonably required to supervise, manage, or participate in this case; (iv) a stenographer and videographer recording testimony concerning the information; (v) subject to the provisions of paragraph 4(d) of this order, experts and consultants and their staff whom a party employs for purposes of this litigation only; and (vi) the Court and personnel assisting the Court.

c. Absent written permission from the producer or further order by the Court, the recipient may not disclose Highly Confidential information to any person other than those identified in paragraph 4(b)(i), (iv), (v), and (vi).

d. A party may not disclose Confidential or Highly Confidential information to an expert or consultant pursuant to paragraph 4(b) or 4(c) of this order until after the expert or consultant has signed an undertaking in the form of Appendix 1 to this Order. The party obtaining the undertaking must serve it on all other parties within ten days after its execution. At least ten days before the first disclosure of Confidential or Highly Confidential information to an expert or consultant (or member of their staff), the party proposing to make the disclosure must serve the producer with a written identification of the expert or consultant and a copy of his or her curriculum vitae. If the producer has good cause to object to the disclosure (which does not include challenging the qualifications of the expert or consultant), it must serve the party proposing to make the disclosure with a written objection within ten days after service of the identification. Unless the parties resolve the dispute within ten days after service of the objection, the producer must move the Court promptly for a ruling, and the Confidential or Highly Confidential information may not be disclosed to the expert or consultant without the Court's approval.

e. Notwithstanding paragraph 4(a) and (b), a party may disclose Confidential or Highly Confidential information to: (i) any employee or author of the producer; (ii) any person, no longer affiliated with the producer, who authored the information in whole or in part; and (iii) any person who received the information before this case was filed.

f. A party who wishes to disclose Confidential or Highly Confidential information to a person not authorized under paragraph 4(b) or 4(c) must first make a reasonable attempt to obtain the producer's permission. If the party is unable to obtain permission, it may move the Court to obtain permission.

5. Copies: A party producing documents as part of discovery must, upon request, furnish the requesting party with one copy of the documents it requests, at the requesting party's expense. Before copying, the parties must agree upon the rate at which the requesting party will be charged for copying.

6. Inadvertent Disclosure: Inadvertent disclosures of material protected by the attorney-client privilege or the work product doctrine shall be handled in accordance with Federal Rule of Evidence 502.

7. Filing with the Court:

a. This protective order does not, by itself, authorize the filing of any document under seal. No document may be filed under seal without prior leave of court. A party wishing to file under seal a document containing Confidential or Highly Confidential information must move the Court, consistent with Local Rule 26.2(b) and prior to

the due date for the document, for permission to file the document under seal. If a party obtains permission to file a document under seal, it must also (unless excused by the Court) file a public-record version that excludes any Confidential or Highly Confidential information.

b. If a party wishes to file in the public record a document that another producer has designated as Confidential or Highly Confidential, the party must advise the producer of the document no later than five business days before the document is due to be filed, so that the producer may move the Court to require the document to be filed under seal.

c. Pursuant to Local Rule 5.8, any document filed under seal must be accompanied by a cover sheet disclosing (i) the caption of the case, including the case number; (ii) the title "Restricted Document Pursuant to Local Rule 26.2;" (iii) a statement that the document is filed as restricted in accordance with a court order and the date of the order; and (iv) the signature of the attorney of record filing the document.

8. Document Disposal: Upon the conclusion of this case, each party must return to the producer all documents and copies of documents containing the producer's Confidential [or Highly Confidential] information, and must destroy all notes, memoranda, or other materials derived from or in any way revealing confidential or highly confidential information. Alternatively, if the producer agrees, the party may destroy all documents and copies of documents containing the producer's Confidential or Highly Confidential information. The party returning and/or destroying the producer's Confidential and Highly Confidential information must promptly certify in writing its compliance with the requirements of this paragraph. Notwithstanding the requirements of this paragraph, a party and its counsel may retain one complete set of all documents filed with the Court, remaining subject to all requirements of this order.

9. Originals: A legible photocopy of a document may be used as the "original" for all purposes in this action. The actual "original," in whatever form the producing party has it, must be made available to any other party within ten days after a written request.

10. Survival of obligations: This order's obligations regarding Confidential and Highly Confidential information survive the conclusion of this case.

Appendix 1

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

_____,	)	
Plaintiff[s],	)	
	)	
vs.	)	Case No. _____
	)	
_____,	)	
Defendant[s].	)	

UNDERTAKING OF *[insert name]*

I, [insert person's name], state the following under penalties of perjury as provided by law:

I have been retained by [insert party's name] as an expert or consultant in connection with this case. I will be receiving Confidential [and Highly Confidential] information that is covered by the Court's protective order dated [fill in date]. I have read the Court's protective order and understand that the Confidential [and Highly Confidential] information is provided pursuant to the terms and conditions in that order.

I agree to be bound by the Court's protective order. I agree to use the Confidential [and Highly Confidential] information solely for purposes of this case. I understand that neither the Confidential [and Highly Confidential] information nor any notes concerning that information may be disclosed to anyone that is not bound by the Court's protective order. I agree to return the Confidential [and Highly Confidential] information and any notes concerning that information to the attorney for [insert name of retaining party] or to destroy the information and any notes at that attorney's request.

I submit to the jurisdiction of the Court that issued the protective order for purposes of enforcing that order. I give up any objections I might have to that Court's jurisdiction over me or to the propriety of venue in that Court.

[signature] Subscribed and sworn to _____

before me this _____ day of _____ 20___.

_____
Notary Public

Appendix 2.4d
Stipulation for Protective Order from the District of Minnesota

FORM 5 STIPULATION FOR PROTECTIVE ORDER
IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA

[NAME OF PARTY],	)	
Plaintiff,	)	Case No. _____
v.	)	
	)	STIPULATION FOR
[NAME OF PARTY],	)	PROTECTIVE ORDER
Defendant.	)	

Upon stipulation of the parties for an order pursuant to Fed. R. Civ. P. 26(c) that trade secret or other confidential information be disclosed only in designated ways:

1. As used in the Protective Order, these terms have the following meanings:

"Attorneys" means counsel of record;

"Confidential" documents are documents designated pursuant to paragraph 2;

"Confidential - Attorneys' Eyes Only" documents are the subset of Confidential documents designated pursuant to paragraph 5;

"Documents" are all materials within the scope of Fed. R. Civ. P. 34;

"Written Assurance" means an executed document in the form attached as Exhibit A.

2. By identifying a document "Confidential", a party may designate any document, including interrogatory responses, other discovery responses, or transcripts, that it in good faith contends to constitute or contain trade secret or other confidential information.

3. All Confidential documents, along with the information contained in the documents, shall be used solely for the purpose of this action, and no person receiving such documents shall, directly or indirectly, transfer, disclose, or communicate in any way the contents of the documents to any person other than those specified in paragraph 4. Prohibited purposes include, but are not limited to, use for competitive purposes or the prosecution of additional intellectual property rights.

4. Access to any Confidential document shall be limited to:

(a) the Court and its officers;

(b) Attorneys and their office associates, legal assistants, and stenographic and clerical employees;

(c) persons shown on the face of the document to have authored or received it;

(d) court reporters retained to transcribe testimony;

[Optional: (e) these inside counsel: [names];]

[Optional: (f) these employees of the parties: [names];]

(g) outside independent persons (i.e., persons not currently or formerly employed by, consulting with, or otherwise associated with any party) who are retained by a party or its attorneys to furnish technical or expert services, or to provide assistance as mock jurors or focus group members or the like, and/or to give testimony in this action.

5. The parties shall have the right to further designate Confidential documents or portions of documents [optional: in the areas of [identify]] as "Confidential - Attorneys' Eyes Only". Disclosure of such information shall be limited to the persons designated in paragraphs 4(a), (b), (c), (d), (e), and (g).

6. Third parties producing documents in the course of this action may also designate documents as "Confidential" or "Confidential - Attorneys' Eyes Only", subject to the same protections and constraints as the parties to the action. A copy of the Protective Order shall be served along with any subpoena served in connection with this action. All documents produced by such third parties shall be treated as "Confidential - Attorneys' Eyes Only" for a period of 14 days from the date of their production, and during that period any party may designate such documents as "Confidential" or "Confidential - Attorneys' Eyes Only" pursuant to the terms of the Protective Order.

7. Each person appropriately designated pursuant to paragraph 4(g) to receive Confidential information shall execute a "Written Assurance" in the form attached as Exhibit A. Opposing counsel shall be notified at least 14 days prior to disclosure to any such person who is known to be an employee or agent of, or consultant to, any competitor of the party whose designated documents are sought to be disclosed. Such notice shall provide a reasonable description of the outside independent person to whom disclosure is sought sufficient to permit objection to be made. If a party objects in writing to such disclosure within 14 days after receipt of notice, no disclosure shall be made until the party seeking disclosure obtains the prior approval of the Court or the objecting party.

8. All depositions or portions of depositions taken in this action that contain trade secret or other confidential information may be designated "Confidential" or "Confidential - Attorneys' Eyes Only" and thereby obtain the protections accorded other "Confidential" or "Confidential - Attorneys' Eyes Only" documents. Confidentiality designations for depositions shall be made either on the record or by written notice to the other party within 14 days of receipt of the transcript. Unless otherwise agreed, depositions shall be treated as "Confidential - Attorneys' Eyes Only" during the 14-day period following receipt of the transcript. The deposition of any witness (or any portion of such deposition) that encompasses Confidential information shall be taken only in the presence of persons who are qualified to have access to such information.

9. Any party who inadvertently fails to identify documents as "Confidential" or "Confidential - Attorneys' Eyes Only" shall have 14 days from the discovery of its oversight to correct its failure. Such failure shall be corrected by providing written notice of the error and substituted copies of the inadvertently produced documents. Any party receiving such inadvertently unmarked documents shall make reasonable efforts to retrieve documents distributed to persons not entitled to receive documents with the corrected designation.

10. Any party who inadvertently discloses documents that are privileged or otherwise immune from discovery shall, promptly upon discovery of such inadvertent disclosure, so advise the receiving party and request that the documents be returned. The receiving party shall return such inadvertently produced documents, including all copies, within 14 days of receiving such a written request. The party returning such inadvertently produced documents may thereafter seek re-production of any such documents pursuant to applicable law.

11. If a party files a document containing Confidential information with the Court, it shall do so in compliance with the Electronic Case Filing Procedures for the District of Minnesota. Prior to disclosure at trial or a hearing of materials or information designated "Confidential" or "Confidential - Attorneys' Eyes Only", the parties may seek further protections against public disclosure from the Court.

12. Any party may request a change in the designation of any information designated "Confidential" and/or "Confidential - Attorneys' Eyes Only". Any such document shall be treated as designated until the change is completed. If the requested change in designation is not agreed to, the party seeking the change may move the Court for appropriate relief, providing notice to any third party whose designation of produced documents as "Confidential" and/or "Confidential - Attorneys' Eyes Only" in the action may be affected. The party asserting that the material is Confidential shall have the burden of proving that the information in question is within the scope of protection afforded by Fed. R. Civ. P. 26(c).

13. Within 60 days of the termination of this action, including any appeals, each party shall either destroy or return to the opposing party all documents designated by the opposing party as "Confidential", and all copies of such documents, and shall destroy all extracts and/or data taken from such documents. Each party shall provide a certification as to such return or destruction as within the 60-day period. Attorneys shall be entitled to retain, however, a set of all documents filed with the Court and all correspondence generated in connection with the action.

14. Any party may apply to the Court for a modification of the Protective Order, and nothing in the Protective Order shall be construed to prevent a party from seeking such further provisions enhancing or limiting confidentiality as may be appropriate.

15. No action taken in accordance with the Protective Order shall be construed as a waiver of any claim or defense in the action or of any position as to discoverability or admissibility of evidence.

16. The obligations imposed by the Protective Order shall survive the termination of this action. Within 60 days following the expiration of the last period for appeal from any order issued in connection with this action, the parties shall remove any materials designated "Confidential" from the office of the Clerk of Court. Following that 60-day period, the Clerk of Court shall destroy all "Confidential" materials.

Stipulated to:

Date: _____ By: _____

Date: _____ By: _____

EXHIBIT A

WRITTEN ASSURANCE

_____ declares that:

I reside at _____ in the city of _____,

county _____, state of _____ ;

I am currently employed by _____ located at _____ and my current job title is _____.

I have read and believe I understand the terms of the Protective Order dated _____ , filed in Civil Action No. _____, pending in the United States District Court for the District of Minnesota. I agree to comply with and be bound by the provisions of the Protective Order. I understand that any violation of the Protective Order may subject me to sanctions by the Court.

I shall not divulge any documents, or copies of documents, designated "Confidential" or "Confidential - Attorneys' Eyes Only" obtained pursuant to such Protective Order, or the contents of such documents, to any person other than those specifically authorized by the Protective Order. I shall not copy or use such documents except for the purposes of this action and pursuant to the terms of the Protective Order.

As soon as practical, but no later than 30 days after final termination of this action, I shall return to the attorney from whom I have received them, any documents in my possession designated "Confidential" or "Confidential - Attorneys' Eyes Only", and all copies, excerpts, summaries, notes, digests, abstracts, and indices relating to such documents.

I submit myself to the jurisdiction of the United States District Court for the District of Minnesota for the purpose of enforcing or otherwise providing relief relating to the Protective Order.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on _____ _____

(Date) (Signature)

Appendix 2.4e
Default Standard for Access to Source Code from the District of Delaware

Absent agreement among the parties, the following procedures shall apply to ensure secure access to source code:

1. A single electronic copy of source code or executable code shall be made available for inspection on a stand-alone computer.

2. The stand-alone computer shall be password protected and supplied by the source code provider.

3. The stand-alone computer shall be located with an independent escrow agent, with the costs of such to be shared by the parties. If the parties cannot agree on such an agent, each party shall submit to the court the name and qualifications of their proposed agents for the court to choose.

4. Access to the stand-alone computer shall be permitted, after notice to the provider and an opportunity to object, to two (2) outside counsel representing the requesting party and two (2) experts retained by the requesting party, all of whom have been approved under the protective order in place. No one from the provider shall have further access to the computer during the remainder of discovery.

5. Source code may not be printed or copied without the agreement of the producing party or further order of the court.

6. The source code provider shall provide a manifest of the contents of the stand-alone computer. This manifest, which will be supplied in both printed and electronic form, will list the name, location, and MD5 checksum of every source and executable file escrowed on the computer.

7. The stand-alone computer shall include software utilities which will allow counsel and experts to view, search, and analyze the source code. At a minimum, these utilities must provide the ability to (a) view, search, and line-number any source file, (b) search for a given pattern of text through a number of files, (c) compare two files and display their differences, and (d) compute the MD5 checksum of a file.

8. If the court determines that the issue of missing files needs to be addressed, the source code provider will include on the stand-alone computer the build scripts, compilers, assemblers, and other utilities necessary to rebuild the application from source code, along with instructions for their use.

Appendix 2.5a
Mediation Evaluation Form for Attorneys, Northern District of Illinois

U.S. DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS (WESTERN DIVISION)
MEDIATION EVALUATION FORM

– For Attorneys –

Please promptly fill out this form after the mediation conference and return it to the ADR Administrator via fax at 815-987-4291. No case identification will be associated with these responses for purposes other than program evaluation.

Name of Mediator: _____

Case Number: _____

Date of Mediation: _____ Type of Case: _____

Outcome: [ ] settled [ ] partially settled [ ] not settled [ ] continued for further mediation

Number of mediation sessions held: _____

Number of hours spent in mediation: _____

Are you the [ ] defendant's attorney [ ] plaintiff's attorney

Number of cases in which you have participated in mediation prior to this one: _____

1. On a scale of 1 – 5 (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree), please respond to the following:

		SD	D	N	A	SA
a	The mediator was well-prepared for the mediation:	1	2	3	4	5
b	My client(s) and I understood the mediation process after it was explained:	1	2	3	4	5
c	The mediator helped the parties to generate options:	1	2	3	4	5
d	The mediator effectively moved the parties toward settlement:	1	2	3	4	5
e	The mediator was knowledgeable about the law in this case:	1	2	3	4	5
f	The mediation helped narrow or clarify the issues involved in this case	1	2	3	4	5
g	Overall, I am satisfied with the mediation process:	1	2	3	4	5
h	The process was fair to all parties:	1	2	3	4	5
i	Overall, I am satisfied with what was accomplished in the mediation:	1	2	3	4	5
j	Overall, I am satisfied with the agreement (if reached):	1	2	3	4	5

2. Overall, how helpful or detrimental was the mediation in the resolution of this case?

1. [ ] Very helpful
2. [ ] Somewhat helpful
3. [ ] It had little impact on the case
4. [ ] Somewhat detrimental
5. [ ] Very detrimental

3. The overall length of mediation was: [ ] too long [ ] too short [ ] about right

4. Did the mediator appear to have a bias for the [ ] Plaintiff? [ ] Defendant? [ ] No Bias

5. Do you think the assignment of this case to mediation:

[ ] Facilitated (or will facilitate) its early resolution
[ ] Will increase time to resolution
[ ] Will have no impact on time to resolution

6. Do you think the assignment of this case to mediation:

[ ] Has reduced (or will reduce) litigation costs to your client
[ ] Will increase litigation costs to your client
[ ] Will have no effect on costs to your client

7. If the case did not settle, why not?

_____
_____

8. Would you be willing to use mediation again? [ ] Yes [ ] No

Why or why not?

_____
_____

9. Would you be willing to use this mediator again? [ ] Yes [ ] No

Why or why not?

_____
_____

10. Comments on the mediator or the mediation process:

_____
_____

Appendix 2.5b
Mediation Evaluation Form for Mediators, Northern District of Illinois

U.S. DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS (WESTERN DIVISION)
MEDIATION EVALUATION FORM

– For Mediators –

Please fill out this form and return it to the ADR Administrator via fax at 815-987-4291 within 10 days of the mediation session. No case identification will be associated with these responses for purposes other than program evaluation.

Name: _____

Case Number: _____

Date of Mediation: _____ Type of Case: _____

Outcome: [ ] settled [ ] partially settled [ ] not settled [ ] continued for further mediation

Number of cases for which you have acted as mediator prior to this one: _____

1. On a scale of 1 – 5 (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree), please respond to the following:

		SD	D	N	A	SA
a	This case was appropriate for mediation:	1	2	3	4	5
b	This case was referred to mediation at the appropriate time:	1	2	3	4	5
c	The lawyers were prepared for the mediation:	1	2	3	4	5
d	The litigants were prepared for the mediation:	1	2	3	4	5
e	The litigants were actively involved in the mediation:	1	2	3	4	5
f	The mediation helped narrow or clarify the issues involved in this case:	1	2	3	4	5
g	I have expertise in this type of dispute:	1	2	3	4	5
h	Overall, I am satisfied with what was accomplished in the mediation:	1	2	3	4	5

2. Overall, how helpful or detrimental was the mediation in the resolution of this case?

1. [ ] Very helpful

2. [ ] Somewhat helpful

3. [ ] It had little impact on the case

4. [ ] Somewhat detrimental

5. [ ] Very detrimental

3. The overall length of mediation was: [ ] too long [ ] too short [ ] about right

4. Do you think the assignment of this case to mediation:

[ ] Helped the case resolve more quickly

[ ] Will increase the time it takes to resolve the case

[ ] Will have no effect on the time it takes to resolve the case

5. Do you think the assignment of this case to mediation:

[ ] Has *reduced* (or will reduce) litigation costs to the parties

[ ] Will *increase* litigation costs to the parties

[ ] Will have *no effect* on costs to the parties

6. If the case did not settle, why not?

_____

_____

_____

7. Please check the actions you undertook in the mediation:

[ ] Focused on legally relevant issues	[ ] Gave primacy to parties' needs & interests
[ ] Focused on the evidence of the case	[ ] Focused on parties' perception of case
[ ] Gave an advisory opinion of the likely outcome	[ ] Helped parties determine strengths & weaknesses of case
[ ] Provided parties with particular settlement options	[ ] Helped parties generate own proposal or range

8. Comments on the program:

Appendix 2.5c
Mediation Evaluation Form for Parties, Northern District of Illinois

U.S. DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS (WESTERN DIVISION)
MEDIATION EVALUATION FORM

– For Parties –

Please promptly fill out this form after the mediation conference and return it to the ADR Administrator via fax at 815-987-4291. No case identification will be associated with these responses for purposes other than program evaluation.

Name of Mediator: _____
Case Number: _____
Date of Mediation: _____ Type of Case: _____
Outcome: [ ] settled [ ] partially settled [ ] not settled [ ] continued for further mediation
Number of mediation sessions held: ___ Number of hours spent in mediation: ___
Are you the [ ] defendant [ ] plaintiff
Number of cases in which you have participated in mediation prior to this one: ____

1. On a scale of 1 – 5 (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree), please respond to the following:

		SD	D	N	A	SA
a	The mediator was well-prepared for the mediation:	1	2	3	4	5
b	I understood the mediation process:	1	2	3	4	5
c	The mediator allowed me to fully present my case:	1	2	3	4	5
d	The mediator carefully listened to my side of the case:	1	2	3	4	5
e	The mediator helped me to generate options for settling the dispute:	1	2	3	4	5
f	The mediation asked appropriate questions to determine the facts of the case:	1	2	3	4	5
g	Overall, I am satisfied with the mediation process:	1	2	3	4	5
h	The process was fair to all parties:	1	2	3	4	5
i	Overall, I am satisfied with what was accomplished in the mediation:	1	2	3	4	5
j	Overall, I am satisfied with the agreement (if reached):	1	2	3	4	5

2. Overall, how helpful or detrimental was the mediation in the resolution of this case?

1. [ ] Very detrimental;
2. [ ] Somewhat detrimental;
3. [ ] It had little impact on the case;
4. [ ] Somewhat helpful;
5. [ ] Very helpful

3. The overall length of mediation was: [ ] too long [ ] too short [ ] about right

4. Did the mediator appear to have a bias for the [ ] Plaintiff? [ ] Defendant? [ ] No Bias

5. Do you think the assignment of this case to mediation:

[ ] Facilitated (or will facilitate) its early resolution
[ ] Will increase time to resolution
[ ] Will have no impact on time to resolution

6. Do you think the assignment of this case to mediation:

[ ] Has reduced (or will reduce) litigation costs
[ ] Will increase litigation costs
[ ] Will have no effect on costs

7. If the case did not settle, why not?

_____
_____

8. Would you be willing to use mediation again? [ ] Yes [ ] No

Why or why not?

_____
_____

9. Would you be willing to use this mediator again? [ ] Yes [ ] No

Why or why not?

_____
_____

10. Comments on the mediator or the mediation process:

_____
_____