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# THE SEDONA CONFERENCE

## *Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective Chapter*

A Project of The Sedona Conference  
Working Group on  
Patent Litigation Best Practices (WG10)

PUBLIC COMMENT VERSION



# The Sedona Conference Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective Chapter

*A Project of The Sedona Conference Working Group on Patent Litigation Best Practices (WG10)*

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## *Preface*

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Welcome to the Public Comment Version of The Sedona Conference Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective Chapter, a project of The Sedona Conference Working Group on Patent Litigation Best Practices (WG10). This is one of a series of working group commentaries published by The Sedona Conference, a 501(c)(3) research and educational institute that exists to allow leading jurists, lawyers, experts, academics, and others, at the cutting edge of issues in the areas of antitrust law, complex litigation, and intellectual property rights, in conferences and mini-think tanks called Working Groups, to engage in true dialogue, not debate, in an effort to move the law forward in a reasoned and just way.

WG10 was formed in late 2012 under the leadership of its now Chair Emeriti, the Honorable Paul R. Michel and Robert G. Sterne, to whom The Sedona Conference and the entire patent litigation community owe a great debt of gratitude. The mission of WG10 is “to develop best practices and recommendations for patent litigation case management in the post-[America Invents Act] environment.” The Working Group consists of over 200 active members representing all stakeholders in patent litigation. To develop this Chapter on Case Management Issues from the Judicial Perspective, the drafting team held numerous conference calls over the past year and a half, and the draft was a focus of dialogue at The Sedona Conference WG10 Annual Meeting in Washington, D.C. in September 2013, the WG10 Midyear Meeting in San Francisco in April 2014, and the Sedona Conference “All Voices” Meeting in New Orleans in November 2014.

The Chapter represents the collective efforts of many individual contributors. On behalf of The Sedona Conference, I thank in particular Gary Hoffman who has graciously and tirelessly served as the Editor-in-Chief for this and all Chapters in this Commentary on Patent Litigation Best Practices, and as the Chair of WG10. I also thank everyone else involved for their time and attention during the drafting and editing process, including: Patrick M. Arenz, Monte Cooper, Ifti Ahmed, Stacy Chen, David H. Dolkas, Natalie Hanlon-Leh, Chad Pannell, Diane Ragosa, William C. Rooklidge, and Kirsten R. Rydstrom. In addition, I thank volunteers Christine Yun Sauer and, in particular, Vanessa LeFort for their assistance and contributions to this effort.

The Working Group was also privileged to have the benefit of candid comments by several judges with extensive patent litigation experience, including the Honorable Joy Flowers Conti, the Honorable Faith S. Hochberg, and the Honorable Barbara M.G. Lynn, who are serving as the WG10 Judicial Advisors for this ongoing endeavor to draft all of the Chapters of this Commentary. The statements in this Commentary are solely those of the non-judicial members of the Working Group; they do not represent any judicial endorsement of the recommended practices.

Working Group Series output is first published in draft form and widely distributed for review, critique, and comment, including in-depth analysis at Sedona-sponsored conferences. Following this period of peer review, the draft publication is reviewed and revised by the Working Group taking into consideration what is learned during the public comment period. Please send comments to [info@sedonaconference.org](mailto:info@sedonaconference.org), or fax them to 602-258-2499. The Sedona Conference hopes and anticipates that the output of its Working Groups will evolve into authoritative statements of law, both as it is and as it should be.

*Craig W. Weinlein*  
Executive Director  
The Sedona Conference  
February 2015

## *Foreword*

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The patent system was established in accordance with our Constitution to promote science and the useful arts, which should support investment in developing new technologies. At the same time, however, there is a perception among a number of people that there has been an increase in the occurrence of patent cases considered to be “abusive,” and that this has deterred the advancement of science. While this perception that “abusive” litigation is stifling the growth of innovation may or may not reflect reality, there is little if any dispute, that patent litigation has become extremely expensive and that procedures need to be developed to simplify the process and control the costs.

In deciding to undertake the formation of Working Group 10 (WG10) on Patent Litigation Best Practices, The Sedona Conference believed then and now that the system can be significantly improved and abuses minimized by the development and utilization of procedures enhancing the efficient and cost-effective management of patent litigation. In the process, we formed various teams to draft Chapters for WG10’s ongoing Commentary (each published over the last eight months for public comment) proposing best practices for a number of topics including: Discovery; Summary Judgment; The Use of Experts, *Daubert*, and Motions *in Limine*; and Parallel USPTO Proceedings. The recommendations of those Chapters are primarily directed to the activities of litigants and what the courts should consider requiring of litigants.

The following Chapter, however, focuses on Case Management from the Judicial Perspective, and was developed from the viewpoint of what actions would help the courts in managing the patent litigations before them. This Chapter dovetails with and builds upon the various proposals emanating from the other Chapters. The Chapter was produced from the collective wisdom and experience of members of the judiciary, the plaintiff’s and defense bars, patent prosecutors, and in-house counsel.

In pursuing this project, we found it critical to define the target audience for whom we were developing these best practices. The consensus of WG10 is that the views of all participants in the patent litigation system must be heard and considered, and that the Working Group’s recommendations should include best practices directed to all stakeholders in the process. The best practices should further the goals of Rule 1, which states that the Federal Rules of Civil Procedure “should be construed and administered to secure the just, speedy, and inexpensive determination of every action and proceeding.” Best practices should reflect that it is incumbent on the court—as well as attorneys and parties—to work toward a fair, cost-effective, non-burdensome, and non-frivolous patent litigation system. It is the expectation of the Sedona Conference that the Best Practices contained herein will offer cost-effective and efficient mechanisms to manage patent litigation, and benefit the judiciary, the bar, and the public alike.

These various WG10 Commentary Chapters are now all open for public comment. As part of this process, it is our plan to circulate these proposals and in particular the current Chapter to all of the judges who are part of the Patent Pilot Program and judges in other courts with active patent litigation dockets. We desire and seek their input and hope that they will consider adopting some or all of WG10’s various proposals.

Gary M. Hoffman  
Editor-in-Chief  
Chair, Working Group 10 Steering Committee

Patrick M. Arenz  
Monte Cooper  
Chapter Editors

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## *Introduction*

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Patent infringement cases involve complex disputes with significant amounts of money at stake. As a result, patent litigation is often expensive and time consuming for the parties and the courts. In order to reduce these concerns, it is incumbent on litigants and the courts to address and resolve challenges and obstacles that threaten a fair and efficient resolution of a given case. This Chapter addresses best practices for case management of patent litigation from the judicial perspective. Key recommendations include:

- case management strategies for resolving disputes earlier and more efficiently;
- streamlined claim construction processes, so the courts and the parties focus on the most relevant disputes in the case;
- procedures for early exchanges of infringement and invalidity contentions and responsive contentions on each of these;
- procedures for narrowing the issues to be tried by selecting representative claims, representative products, and representative prior art;
- procedures for maximizing juror comprehension; and
- preparation of verdict forms to avoid juror confusion and inconsistent verdicts.<sup>1</sup>

The primary responsibility for implementing these best practices lies with the parties and, in particular, lead counsel. It is incumbent for lead counsel to identify and discuss candidly and early on with opposing counsel issues that may affect time and expense. But when the parties are unable to reach agreement, or if they are not conferring with one another as expected, it is important for the courts to engage the parties to proceed effectively in light of the particular challenges of a given case. While these challenges are often case-by-case, the best practices below identify key issues for the parties and the courts to work through together to secure “a just, speedy, and inexpensive” resolution of patent litigation.

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<sup>1</sup> Procedures for determining how and when cases “standout from other” patent cases so as to be deemed “exceptional” are not currently addressed by this draft, and instead are in the process of being developed by the Working Group. *See infra*, Sec. II.G (Exceptional Case Determinations).

# *I. Early Case Management and Pretrial Management*

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## A. ISSUES GOVERNING THE CASE SCHEDULE

### 1. Stay Requests

**Best Practice 1** – The parties should advise the court, no later than the case management conference, on whether a motion for stay is likely.

Although parties to patent infringement actions seek stays for a variety of reasons, since the passage of the America Invents Act, parties often have filed motions to stay such actions pending proceedings before the United States Patent and Trademark Office that were newly-created by the Act, namely *inter partes* review (IPR), covered business method patent review (CBM) and post-grant review (PGR). While much of the information required for the court to rule on such a motion would be in the parties' possession, and would ordinarily be presented in briefing of such a motion, the court may find it advantageous to identify at the initial scheduling conference whether such a motion is pending or planned and any additional facts that may assist the court in deciding such a motion. For example, in connection with an accused infringer's motion to stay pending an IPR or PGR filed by a third party, the court may find it useful to identify the length of the requested stay, whether the other party has opposed or will oppose the stay, and whether the accused infringer would be willing to be subject to a limited estoppel even though such an estoppel would not be required by the statute.<sup>2</sup> In the context of stays pending CBM, the America Invents Act outlines various factors for courts to consider (including whether the issues in the case will be simplified by granting a stay),<sup>3</sup> and the Federal Circuit has noted that it is not even necessary that all claims at issue in a litigation be subject to CBM procedures for a stay to be warranted.<sup>4</sup> On the other hand, whether to grant a stay is a highly discretionary act, heavily tied to the facts of a particular case, and courts should be cautioned to ensure parties do not attempt to use the timing of motions to stay as a form of gamesmanship.

Given these competing interests, the court may want to consider at the outset of patent litigation setting a formal date in the case management and scheduling order for when a motion to stay must be filed, much like the deadlines routinely inserted into such orders for amending claims or adding defendants. In setting the deadline, the court should be mindful that it takes six months from when a petition for IPR or CBM is filed for the PTAB to issue its opinion as to whether or not to institute the collateral proceedings. Likewise, some defendants may not even be aware that they are accused of infringing a particular patent until served with a

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<sup>2</sup> See, e.g., *Employment Law Compliance, Inc. v. Compli, Inc.*, No. 3:13-cv-3574 (N.D. Tex. May 27, 2014) (granting motion to stay proceedings pending IPR where the defendant's six month delay after filing of complaint to file petitions for IPRs was predicated upon its need to review the plaintiff's infringement contentions and participate in mediation); *Evolutionary Intelligence v. Sprint Nextel Corp., et al.*, Case No. 5:13-CV-4513 (N.D. Cal. Feb. 28, 2014) (conditioning stay on party "submit[ing] to a weaker estoppel foreclosing it from relitigating claims made and finally determined in the IPR proceedings"); *PersonalWeb Techs. LLC et al. v. Google Inc. et al.*, 5:13-cv-01317 (N.D. Cal. Aug. 20, 2014) (conditioning stay on defendants not involved in the IPRs nonetheless agreeing to be bound by the same estoppel as those who were involved); *e-Watch v. FLIR Sys., Inc.*, Case No. 4-13-cv-638, ECF No. 28 at 2 (S.D. Tex. Aug. 8, 2013) (granting motion to stay pending third-party IPR where the accused infringer agreed to limited estoppel).

<sup>3</sup> American Invents Act (AIA), Pub. L. No. 112-129, §18(b), 125 Stat. 284, 329–31 (2011).

<sup>4</sup> *Versata Software, Inc. v. Callidus Software, Inc.*, No. 2104-1468 (Fed. Cir. Nov. 20, 2014).

complaint. In such cases, it is unlikely the defendant could prepare or file a petition immediately after the lawsuit is filed. The court might therefore want to set a deadline that recognizes there is a time element to when a petition can be filed and ruled upon by the PTAB, while also acknowledging that the deeper into litigation that proceedings progress, the more prejudicial a stay is likely to be to the plaintiff and hence more likely it will be denied.<sup>5</sup>

**Best Practice 2 – The parties should advise the court, no later than the case management conference, whether the claims could be stayed against a subset of the defendants, e.g., customers.**

The customer suit exception is “an exception to the venue rule that when two or more patent infringement suits, involving the same or similar parties and issues, are filed, courts normally grant priority to the first-filed suit and enjoin or stay the other suits.”<sup>6</sup> This exception applies “when the first-filed suit in one district is against customers of the infringing manufacturer, while a subsequent suit in another district court is against the manufacturer itself.”<sup>7</sup> “The rationale behind the customer suit exception is that the manufacturer is presumed to have a ‘greater interest in defending its actions against charges of infringement,’ and therefore ‘the manufacturer is the true defendant.’”<sup>8</sup> This same rationale may be present where customers are joined with manufacturers in a single patent infringement action. As in cases where a stay is sought in deference to an IPR proceeding, the customer-suit stay motion may implicate issues of estoppel, including whether the customers seeking the stay would be willing to be bound by the court’s rulings on infringement, validity, enforceability, injunction or damages.<sup>9</sup> Accordingly, the court may find it useful to identify whether customer defendants are seeking or are planning to seek a stay, and if so, identify the extent of any estoppel those defendants may be willing to bear.<sup>10</sup>

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<sup>5</sup> For a full discussion on this topic, see The Sedona Conference, *Commentary on Patent Litigation Best Practices: Parallel USPTO Proceedings Chapter* (Oct. 2014, public comment version), at Sec. III. (Stays of Concurrent District Court Litigations), BP5 (“Parties seeking a litigation stay during post-grant proceedings should as promptly as possible provide the district court with complete information about: the patents-in-suit; parties; claims; defenses; any instituted, pending, or forthcoming post-grant proceeding petitions involving the patents-in-suit; and any timing or jurisdictional issues that may arise.”) and BP10 (“Parties to joint defense groups should confer as early as possible about which defendants, if any, will be petitioning for an IPR proceeding, and if moving for a stay of the district court litigation, should agree to be estopped on any ground that is raised or that could reasonably be raised before the PTAB in order to maximize the chances of obtaining a stay.”), available at <https://thesedonaconference.org/download-pub/3962> (last visited Feb. 8, 2015) [hereinafter, *Sedona WG10 Parallel USPTO Proceedings Chapter*].

<sup>6</sup> *Privasys, Inc. v. Visa Int’l*, No. C 07-03257 SI, 2007 WL 3461761, at \*3 (N.D. Cal. Nov. 14, 2007) (citing *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1463 (Fed. Cir. 1990)).

<sup>7</sup> *Id.*

<sup>8</sup> *Beck Sys., Inc. v. Marimba, Inc.*, No. 01 C 5207, 2001 WL 1502338, at \*2 (N.D. Ill. Nov. 20, 2001) (quoting *Kahn v. Gen. Motors Corp.*, 889 F.2d 1078, 1081 (Fed. Cir. 1989)).

<sup>9</sup> See *Cambrian Science Corp. v. Cox Commc’ns, Inc.*, No. SACV 11-1011, ECF No. 85 (C.D. Cal. March 6, 2012) (denying stay because the customer defendants refused to be bound by injunction and damages ruling and solvency of manufacturer was in question).

<sup>10</sup> For a full discussion on this topic, see *Sedona WG10 Parallel USPTO Proceedings Chapter*, *supra* note 5, at Sec. III.A., BP10 (“Parties to joint defense groups should confer as early as possible about which defendants, if any, will be petitioning for an IPR proceeding, and if moving for a stay of the district court litigation, should agree to be estopped *on any ground that is raised or that could reasonably be raised* before the PTAB in order to maximize the chances of obtaining a stay.”) (emphasis added).

## 2. Transfer Requests

**Best Practice 3 – The parties should advise the court, no later than the case management conference, whether a motion to transfer is likely.**

The America Invents Act mandates that plaintiffs may no longer join multiple unrelated defendants to an action solely on the allegation that they each have infringed the same patent. One purpose of this provision was to address the rise in the number of multi-defendant patent lawsuits. As a result, post-America Invents Act, litigations that would ordinarily name multiple defendants are now being filed as separate actions in a single venue, and more patent infringement defendants have been filing motions to transfer venue. Upon identifying that a transfer motion is pending or planned, the court may find it useful to explore with the parties whether discovery is needed in connection with the transfer motion,<sup>11</sup> whether there are conditions that would be appropriate for such transfer,<sup>12</sup> and whether coordination with other courts may be helpful.<sup>13</sup> If cases involving the same patent are pending in more than one venue, the court and the parties may want to discuss whether it is contemplated that any party will be bringing a motion before the Judicial Panel on Multidistrict Litigation to consolidate the proceedings before one court and if so, what will be the expected timing of such a motion.

## 3. Companion Proceedings in the Same or Other District Court

**Best Practice 4 – The plaintiff should promptly identify any pending companion proceedings and any potential coordination or consolidation between them.**

To facilitate case management, courts have requested better transparency into the landscape surrounding patent proceedings. For example, before entering a case schedule, a court would want to know whether the plaintiff anticipated filing additional cases in its jurisdiction or if additional proceedings were likely to be transferred into its venue. If so, consolidating those proceedings for pretrial purposes would yield efficiencies in case management. Similarly, if a court knew that related proceedings were taking place in a different jurisdiction, it could take that information into consideration for evaluating stay or transfer motions<sup>14</sup> or

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<sup>11</sup> See, e.g., *Evolutionary Intelligence LLC v. Yelp, Inc.*, No. 4-13-cv-3587, ECF Nos. 33, 39 (E.D. Tex. Feb. 27 and May 3, 2013) (staying discovery except for venue discovery pending stay motion).

<sup>12</sup> See, e.g., *PersonalWeb Techs. LLC v. NEC Corp. of America, Inc.*, No. 6:11-cv-655, 2013 WL 9600333, at \*25 (E.D. Tex., Mar. 21, 2013) (granting “conditional” transfer of case so that transfer would take effect only after claim construction).

<sup>13</sup> See, e.g., *Affinity Labs of Texas v. Samsung*, No. 1:12-cv-557, ECF No. 187 (E.D. Tex., Sept. 18, 2013) (after consulting with the chief judge of the transferee forum, the court delayed transfer until after claim construction).

<sup>14</sup> See, e.g., *Capital Sec. Sys., Inc. v. ABNB Fed. Credit Union*, 2:14-CV-166, 2014 WL 5334270, at \*7 (E.D. Va. Oct. 20, 2014) (denying a stay but granting motion to transfer two patent infringement actions to a district where patentee had filed suit against another defendant on the same patents); *Bayer Pharma AG v. Watson Labs., Inc.*, 2014 WL 2516412, \*8–\*9 (D.N.J. June 2, 2014) (transferring an ANDA infringement action to a forum where the plaintiff had filed similar actions on different formulation of the same drug); *PersonalWeb*, 2013 WL 9600333, at \*24–25 (E.D. Tex., Mar. 21, 2013) (granting “conditional” transfer after conferring with the chief judge of transferee district “regarding the most efficient manner in which to manage . . . transfer”); *Bluestone Innovations, LLC v. LG Elecs., Inc.*, 940 F. Supp. 2d 310, 320 (E.D. Va. 2013) (granting a motion to transfer several infringement actions to a district where another action on the same patent was pending); *U.S. Ethernet Innovations, LLC v. Samsung Elecs. Co.*, 6:12-CV-398, 2013 WL 1363613, at \*6 (E.D. Tex. Apr. 2, 2013) (denying a motion to transfer finding that the plaintiff had sued more defendants in the transferor forum than in the transferee forum); *Encyclopaedia Britannica, Inc. v. Magellan Navigation, Inc.*, 512 F. Supp. 2d 1169, 1178 (W.D. Wis. 2007) (granting a motion to transfer a case filed against three defendants to a forum where the plaintiff had sued six other defendants).

could seek to coordinate joint hearings on matters such as claim construction. Information about other proceedings such as state-court proceedings regarding patent ownership<sup>15</sup> and patent-office proceedings evaluating the validity of a patent could also bear on a court's case management decisions.<sup>16</sup>

To that end, at the outset of litigation, the plaintiff should promptly identify companion patent infringement actions that could raise issues of stay or transfer motions, as discussed above.<sup>17</sup> To the extent companion proceedings arise through the course of litigation, parties should promptly advise the court.

Similarly, at the case management conference, and as appropriate through a proceeding, the court should explore with the parties efficiencies that could be gained by coordination among cases. This might include consolidating related cases for pretrial purposes, or consolidating all or parts of a trial (for example on a common issue such as invalidity).

## B. PRETRIAL AND DISCOVERY LIMITS

### 1. Representative Claims and Prior Art References

**Best Practice 5** – The court should encourage the parties to work together in good faith to identify representative claims and prior art references early on in the litigation to enjoy the efficiencies associated with avoiding discovery on all asserted claims and prior art references. If the parties reach an impasse, they should present the disputed issues to the court, and the court should resolve them as soon as practicable.

**Best Practice 6** – The court should encourage the patent holder to identify an initial set of representative claims for discovery and claim construction purposes by the case management conference. The parties should propose their respective positions on an appropriate limit on the total number of such claims for purposes of discovery and claim construction, and then at the case management conference the parties and the court should address a process and time frame for reaching a decision on what should be the actual limit of representative claims for discovery and claim construction purposes. During discovery, the parties should seek

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<sup>15</sup> See *StoneEagle Servs., Inc. v. Gillman* [] (Fed. Cir. 2014) (“ownership is typically a question of state law”); see also *Summa Four, Inc. v. AT&T Wireless Servs., Inc.*, 994 F. Supp. 575, 5857 (D. Del. 1998) (granting a stay of a patent infringement case pending determination of patent ownership in state court).

<sup>16</sup> See, e.g., *Virginia Innovation Scis., Inc. v. Samsung Elecs. Co., Ltd.*, 2:12-CV-548, 2014 WL 1775573 (E.D. Va. May 2, 2014) (admonishing parties that their failure to advise the court of a parallel *inter partes* review proceeding violated their duty of candor and good faith to the court); *Pexcor Mfg. Co. v. Uponor AB*, 920 F. Supp. 2d 151, 153 (D.D.C. 2013) (staying patent infringement litigation pending decision in a parallel Canadian litigation on a “nearly identical” patent); *Spellbound Dev. Grp., Inc. v. Pac. Handy Cutter*, SA-CV-09-00951, 2011 WL 5554312, at \*6 (C.D. Cal. Nov. 14, 2011) (barring the plaintiff from asserting new patent claims post-discovery because the plaintiff had failed to inform the court that the patent-in-suit was undergoing reexamination); *Cynosure, Inc. v. Cooltouch Inc.*, 08–10026–NMG, 2009 WL 2462565, at \*2–3 (D. Mass. Aug. 10, 2009) (denying a defendant's motion to stay where the defendant failed to inform the court that it was pursuing a reexamination until after the *Markman* hearing).

<sup>17</sup> Courts may also encourage parties to disclose any planned companion proceedings as well. Because information about planned proceedings may not be publicly known, litigants may be concerned that disclosure of planned litigation could waive work-product privilege or may unintentionally trigger declaratory-judgment jurisdiction. To address such concerns, courts could permit the plaintiffs to make their disclosure *ex parte* (advising all parties of the existence of the communication), or permit the disclosures to be made at a high-level.

**to narrow the set of asserted claims. The court should encourage the parties to select a final set of claims that will be presented at trial, at least 30 days prior to the service of any expert report.**

**Best Practice 7 – By the case management conference, the alleged infringer should identify the most relevant prior art references it is aware of at that time, and the parties should propose their respective positions on an appropriate limit on the number of prior art references for purposes of discovery. Then, at the case management conference, the parties and the court should address a process and time frame for reaching a decision on a limit of prior art references that will be the focus of discovery and later for purposes of trial.**

Patent trials often focus on only a limited number of representative claims and prior art references because good trial lawyers simplify and focus their case for the jury and the court. Unfortunately, if left to their own devices, the parties rarely would reduce the number of representative claims and prior art references until the eve of trial. By nature, litigators are reluctant to limit their options early in a case and prefer not to have to stipulate to a reduction of claim terms, claims, or prior art references before they are forced to do so. In many instances, this concern is driven by a belief that until the district court issues a claim construction ruling, it is unclear which claims and prior art references are likely to be most relevant to questions of infringement and invalidity. On the other hand, a failure to limit claims, claim terms, and prior art references can lead to gamesmanship, with the parties seeking to maximize the number of claims or prior art references they can assert in order to overwhelm the other side. For instance, a plaintiff may be reluctant to identify which of potentially hundreds of claims from several asserted patents it will rely upon for infringement theories, until the deadline for the defendant to file collateral proceedings, such as *inter partes* review, has passed. A defendant may not wish to highlight which of hundreds of prior art references it believes is the strongest, in an effort to limit the plaintiff's ability to consider ways in which those references are actually distinguishable from the patented invention. Such gamesmanship and counsel's general reluctance to limit options leads to unnecessary discovery and claim construction disputes, increasing the burden and costs on the court and the parties, and distracting the parties and the court from the core disputes at issue in the case. As a matter of case management, it normally will be unfeasible for courts to try even 50 claims to a jury.

At the start of the case, therefore, the parties should work toward agreeing on a procedure to achieve an appropriate limit on claims and prior art references over the course of discovery. The Eastern District of Texas has adopted a general order addressing these considerations.<sup>18</sup> In addition, some district courts have ordered parties to reduce the number of claims and prior art references early on in cases.<sup>19</sup>

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<sup>18</sup> General Order Adopting Model Order Focusing Patent Claims and Prior Art to Reduce Costs, E.D. Tex., Oct. 29, 2013, available at [http://www.txed.uscourts.gov/cgi-bin/view\\_document.cgi?document=24166](http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=24166) (last visited Feb. 8, 2015) [*hereinafter* E.D. Tex. Claims and Prior Art Order].

<sup>19</sup> See, e.g., *Thought, Inc. v. Oracle Corp.*, No. 12-CV-05601, 2013 U.S. Dist. LEXIS 147561 (N.D. Cal. Oct. 10, 2013) (limiting claims to 10 per patent and 32 total, and limiting prior art references to 18 per patent and 50 total); *Unwired Planet LLC v. Google, Inc.*, No. 3:12-CV-0504, 2013 U.S. Dist. LEXIS 146766 (D. Nev. Oct. 10, 2013) (limiting claims to 30 after the *Markman* order and 15 by trial, and limiting prior art references to 15 per independent claim); *Thinkoptics, Inc. v. Nintendo of Am., Inc.*, No. 6:11-CV-455, 2013 U.S. Dist. LEXIS 159758 (E.D. Tex. Sept. 11, 2013) (limiting claims to 10 and prior art references to 12); *Masimo Corp. v. Philips Elecs. N. Am. Corp.*, 918 F. Supp. 2d 277 (D. Del. 2013) (limiting claims to 30 and prior art references to 40).

Ultimately, the appropriate limit on representative claims and prior art references for purposes of discovery, claim construction, and assertion at trial will depend on the specific facts and circumstances of each case. The Federal Circuit has cautioned that limits on asserted claims too early in a proceeding may deny a patent holder the ability to discover and identify unique infringement and validity issues among claims.<sup>20</sup> The same is true for a defendant with respect to any early disclosure requirements as to prior art references, as in many cases a defendant will only have become aware of the patent as a result of the filing of the complaint. It is incumbent on the parties, nonetheless, to meaningfully consider and address appropriate limits on claims and prior art references early on in the case. It is not too early to address a process and time frame for reaching a decision on a limit of the number of claims and prior art references at the case management conference, and the parties should come to that conference prepared with a proposal on an appropriate limit on the number of claims and prior art references for purposes of discovery and claim construction, or, if necessary, competing proposals for the court to consider. If the parties are unable to agree or propose reasonable limits on claims and references, or at least a process and time frame for reaching a decision on those limits, then the parties should demonstrate good cause to the court as to why the number of asserted claims and prior art references present unique issues of infringement or validity. At the case management conference the parties and the court should address a process and time frame for reaching a decision on a limit of representative claims, with the goal of trying to identify a subset that will actually ultimately be tried. In the scheduling order that results from the case management conference, the court should either identify the time frames and limits on claims and prior art references, or identify the process and time frame for reaching a decision on limits on claims and prior art references. In that order, the court should require the patentee to identify an initial set of representative claims for discovery and claim construction purposes if it has not done so by the case management conference.<sup>21</sup> During discovery, the parties should narrow the set of claims that will be presented at trial and prior art references in accordance with the schedule set by the court. To avoid piecemeal and revised reports, or allegations of unfair prejudicial surprises, the court should require the parties to select a final set of claims that will be presented at trial and a final set of prior art references that will be relied upon at trial, at least 30 days before service of any expert reports.<sup>22 23</sup>

There is a concern whether the court can compel a party to actually forego its right to enforce the claims not selected, or a party to actually forego a right to later assert prior art not selected. However, it can be assumed that each party will pick its best claims and best prior art for the first trial, and if unsuccessful in asserting these claims and references the relevant party is unlikely to want to proceed with the others. This becomes

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<sup>20</sup> See *In re Katz Interactive Call Process Patent Litig.*, 639 F.3d 1303, 1313 n.9 (Fed. Cir. 2011); see also *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971).

<sup>21</sup> See *Yamaha Corp. v. Toshiba Samsung Storage Tech. Corp.*, No. 13-cv-2018 (C.D. Cal. Oct. 15, 2014) (limiting patentee to 20 claims across 11 patents and accused infringer to 32 prior art references, and noting that “[i]n adopting these limitations, the Court contemplates that the parties and the Court may further narrow the issues during pretrial proceedings in order to facilitate an efficient trial. As discovery progresses, the parties are encouraged to confer concerning further reductions in the number of asserted claims and prior art references”); *Pragmatus Telecom LLC v. Gen. Motors LLC*, No. 12-cv-1533 (D. Del. July 7, 2014) (“Plaintiff shall reduce the number of asserted claims to 8 within one week after the Court issues its claim construction decision [and] each Defendant shall reduce the number of asserted prior art references to 5 per patent within two weeks of receiving Plaintiff’s selection of 8 claims.”).

<sup>22</sup> This assumes that the court has addressed claim construction before the expert reports are due. It is recognized, however, that there are some courts, e.g., in Delaware, that typically do not conduct claim construction until after expert reports are due.

<sup>23</sup> See E.D. Tex. Claims and Prior Art Order, *supra* note 18.

particularly true in view of the recent Supreme Court decisions regarding the determination of an exceptional case and the potential for having to pay the opposing party's attorneys' fees.<sup>24</sup>

## 2. Representative Products

**Best Practice 8** – The court should encourage the parties, where possible, to work together in good faith to identify representative products early on in the litigation. This process promotes efficiency by limiting the number of accused products that will be the focus of discovery and trial. If the parties reach an impasse, they should present the disputed issues to the court, and the court should resolve them as soon as practicable.

**Best Practice 9** – The parties should address whether they can agree on representative products for purposes of discovery. If they cannot agree at the initial case management conference, then the parties should address what additional information and amount of time is needed to reach an agreement or resolution by the court.

Like claims and prior art references, parties in appropriate cases can often agree pretrial on representative products for purposes of determining whether a group of accused products infringes. But while this agreement focuses the evidence at trial, the parties proceed on many more accused products over the course of discovery. As a result, the patent holder often serves unnecessary infringement contentions, the alleged infringer produces unnecessary documents about numerous products; the parties take redundant fact depositions, and both parties' experts consider and respond to arguments regarding more products than they testify to at trial. On the other hand, in some kinds of patent infringement cases, it may not ever be possible to identify representative products. For example, in cases involving pharmaceutical products, it may be improper to require the identification of representative products because a drug's efficacy may depend on its interactions with particular environmental factors. Every case must therefore be considered independently to determine whether it is possible and beneficial to identify representative products.

Many patent infringement actions, however, will in fact lend themselves to the early identification of representative products, and courts should therefore attempt to identify whether the immediate action is one of those cases. Representative products present the parties and the court with a significant opportunity to reduce costs and increase efficiency during discovery. These gains, however, must be weighed against the requirement that the patent holder prove its case; in other words, the representative product must actually be representative of the group of products for purposes of determining infringement.<sup>25</sup> However, before any product is deemed representative, it will be incumbent upon the parties early in the case to bring to the court's attention what is the nature of the claims alleged to be infringed by such products, what is required to prove infringement, and whether some form of testing will be necessary before a product can be deemed representative of others. Frequently, it will be important that infringement contentions reflect enough information about the theory of infringement for the parties to agree that a particular product is, or is not, representative of others that function like it. Relatedly, the accused infringer should explain to the patent

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<sup>24</sup> See *infra*, Sec. II.G.

<sup>25</sup> See, e.g., *Infineon Techs. AG v. Volterra Semiconductor*, No. 11-6239 MMC (DMR), 2013 U.S. Dist. LEXIS 109165, at \*17 (N.D. Cal. July 31, 2013) (“The existence of product differences does not necessarily affect the question of whether a product is representative of others. The differences must be relevant to the infringement contentions.”).

holder—and, if appropriate, the court—what material differences exist across accused products that present unique infringement issues in the case.

The parties may be unable to agree on whether the use of representative products would be appropriate in a given case by the initial case management conference. In that case, the parties should discuss and consider what additional information each side needs to be able to make an informed decision about representative products early on in the case. For instance, the patent holder may need a 30(b)(6) deposition to understand key or high-level differences in the accused products, and the accused infringer may need to assess the patent holder's infringement contentions before agreeing on representative products. Regardless of the circumstances of a particular case, the parties should endeavor to reach agreement on the fewest number of representative products that fairly litigates the issue of infringement, and the parties should pursue this agreement early on in the case to achieve maximum efficiency. Nonetheless, any decision about what is or is not a representative product should be subject to modification or amendment for good cause, because new facts about the functionality of any accused product may arise during the course of litigation as more information and discovery becomes available.

### 3. Preliminary Statements Regarding Value of the Case for Determining Discovery Limits

**Best Practice 10 – Both parties should informally provide the court with non-binding estimates for the range of damages that they currently believe are appropriate, and high-level explanations for the estimates. The court should consider these estimates and explanations only for proportionality determinations on discovery and other case management considerations.**

All discovery in all cases is subject to the rule of proportionality.<sup>26</sup> To make meaningful decisions about limits on discovery and other case management considerations, the court needs to have some understanding of the parties' respective positions on the value of the case. For instance, the court may want to understand at a high level whether the parties contend this patent infringement case is a \$1 million, \$10 million, \$50 million, or \$100 million+ dispute. The court at the case management conference should try to use informal valuation to balance case management with respect to other issues, such as limits on discovery, limits on claim terms and prior art references, and scheduling considerations involving *Markman*, dispositive motions, and trial.

In order to make an informed case management analysis, the court may request the parties to provide a non-binding, general estimate of what is at stake in the case at the case management conference.<sup>27</sup> As part of this estimate, the parties should state whether they believe this case involves lost profits, reasonable royalties, or some combination of the two. Similarly, the parties should state whether they believe damages should be based on the entire market value of the accused product or an apportionment within the product. Another source of information that the parties can include is whether they believe damages should be subject to a "fair, reasonable and non-discriminatory" (FRAND) royalty rate commitment, or any other limitation, such as a license defense or a failure to mark pursuant to 35 U.S.C. § 287. In any event, as a result of the complexity

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<sup>26</sup> See, e.g., Fed. R. Civ. P. 26(b)(2)(C)(iii).

<sup>27</sup> Effective exchange of this kind of information usually will require entry of a protective order, and to avoid delay in such an exchange, courts should consider adopting a default protective order. See, e.g., W.D. Pa. LPR 2.2. See also N.D. Ill. LPR Preamble ("[T]he Rules provide for a standardized protective order that is deemed to be in effect upon the initiation of the lawsuit. . . . [E]arly entry of a protective order is critical to enable early initial disclosures of patent-related contentions that the rules require."). At the request of either of the parties, the court should consider having some or all of this information submitted on a confidential basis under seal.

and uncertainty surrounding patent damages, neither the court nor a party should be allowed to later use an informal estimate against an offering party, except for the purposes of demonstrating that a calculation was made in bad faith to unreasonably complicate or limit the proceeding.

If the parties propose widely divergent estimates and maintain that there is no reasonable basis for the opposing estimate, then the court may inquire about the basis for each party's estimate. In such cases, each party should be prepared to provide a general explanation for its estimates.<sup>28</sup> The parties must offer these explanations in good faith in order to facilitate case management. The court, however, must also recognize that these estimates and explanation have been developed at the beginning of the case without the benefit of fact or expert discovery. No reasonable royalty analysis can be accurate or reliable without a comprehensive analysis of at least all the *Georgia Pacific* factors, which requires access to the other party's confidential information and—almost always—expert analysis. As a result, the court cannot expect the patent holder to provide any detailed or complete explanation of a reasonable royalty analysis at the case management conference. For instance, a patent holder may state that it intends to apportion the value of the patented invention within the accused product, but the patent holder cannot be expected to explain how it intends to conduct the apportionment (i.e., conjoint survey, regression analysis, etc.). Similarly, the parties could be expected to state whether the accused feature is believed to be an important or inconsequential feature within the accused product, but the parties should not be expected to articulate a quantitative value of the accused feature in comparison to other features or non-infringing alternatives. The patent holder may also state it intends to pursue a reasonable royalty based on an entire market value rule theory, but the patent holder would not need to provide any evidence of consumer demand at this stage. Ultimately, the purpose of this explanation should focus on whether the respective parties are off by an order of magnitude for accused sales rather than to examine an analysis of appropriate royalties. The parties and the court must recognize that these informal estimates and high-level explanations, while required to be made in good faith, are subject to partial or complete revision depending on fact and expert discovery.

#### 4. Additional Discovery Issues to Address by or at the Case Management Conference

**Best Practice 11 – At the initial case management conference, the court should implement procedures to encourage that the parties identify any discovery issues that may need early resolution.**

Given the high costs and high value of patent infringement litigation in general, it is not surprising that discovery in such cases is itself extraordinarily expensive. The American Intellectual Property Law

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<sup>28</sup> The Sedona Conference's Working Group 9 on Patent Damages and Remedies (WG9) recommends the facilitation of early damages disclosures through the use of Preliminary Compensatory Damages Contentions (PCDCs). WG9 is presently working to develop procedures for such disclosures, including their timing, given that some discovery is often required in complex patent matters before reliable damages estimates can be developed. The Sedona Conference, *Commentary on Patent Damages and Remedies* (Jun. 2014, public comment version), at 37, available at <https://thesedonaconference.org/download-pub/3827> (last visited Feb. 8, 2015) [hereinafter, *Sedona WG9 Patent Damages Commentary*].

Some members of Working Group 10 on Patent Litigation Best Practices (WG10), however, have expressed concerns and/or disagreement with the proposal for there to be an exchange of damage contentions. WG9 is working on developing a procedure for exchanging such contentions; WG10, as part of the work of the Case Management Team's efforts, will be further studying this issue and the work of WG9 to see if both groups can reach a mutual consensus on the issue.

Association (AIPLA) estimates that the cost of litigation through the end of discovery ranges, e.g., from \$1.2 million for matters with “only” \$1 million to \$10 million at stake, to \$2.2 million for matters with between \$10 million and \$25 million in potential damages. For the many cases with more than \$25 million in damages at issue, AIPLA estimates the cost of litigation through discovery to be at least \$2.9 million.<sup>29</sup>

It is imperative that parties and the court tackle as many of the actual or potential vexing discovery issues that patent litigation presents as early in the proceedings as feasible. In many instances, many of the most difficult problems associated with discovery—such as whether to sequence it in accordance with deadlines associated with claim construction issues, or whether to bifurcate damages-related issues (including discovery related to damages)—will already be recognized by the litigants even before the court holds a case management and scheduling conference in accordance with Rule 16(f). These issues should be raised by the parties in the proposed Rule 26(f) discovery plan and then discussed with the court at the case management conference. The more detail the parties can provide about anticipated discovery problems in their joint discovery plan, the more likely the court will be able to address these issues expeditiously and cost-effectively.

The earlier in the case that the court can address and resolve these issues, the more likely that the costs of discovery will be reduced for all parties, and the court will enjoy a correspondingly reduced burden on its own resources. Accordingly, courts should always encourage that the parties involved in patent litigation raise these issues at the earliest date, and preferably in the joint discovery plan.

**Best Practice 12 – The court should require disclosures and document production likely to encourage early case resolution.**

Courts should require the parties to disclose information and produce documents that are likely to be central to the merits of the parties’ dispute over liability and thus would be likely to encourage early case resolution.<sup>30</sup> For example, the court should address when the parties will provide infringement and invalidity contentions, along with corresponding document productions.<sup>31 32</sup>

In addition to these disclosures directed to the liability portion of the case, courts should consider requiring production of information and documents relevant to the damages portion of the case.<sup>33</sup> For example, the Eastern District of Texas’ Track B Order requires within 14 days of service of the Answer that the patentee produce “all licenses or settlement agreements concerning the patents in suit and any related patent,” and within 44 days of service of the Answer that the accused infringer produce “summary sales information”

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<sup>29</sup> See Am. Intellectual Property Law Ass’n, *Report of the Economic Survey* 34 (2013); see also Emery G. Lee III & Thomas E. Willing, Federal Judicial Center, *Litigation Costs in Civil Cases: Multivariate Analysis* 8 (2010) (noting that intellectual property cases demonstrate costs almost sixty-two percent higher than the baseline categories for other cases, all other factors being equal), available at [http://www.fjc.gov/public/pdf.nsf/lookup/costciv1.pdf/\\$file/costciv1.pdf](http://www.fjc.gov/public/pdf.nsf/lookup/costciv1.pdf/$file/costciv1.pdf) (last visited Feb. 8, 2015).

<sup>30</sup> For a full discussion of Working Group 10’s recommended initial disclosure, early infringement and invalidity contention, and production of key documents requirements, see The Sedona Conference, *Commentary on Patent Litigation Best Practices: Discovery* (Oct. 2014, public comment version), at Sec. IV.A. (Initial Disclosures) and Sec. IV.B. (Initial Contentions), available at <https://thesedonaconference.org/download-pub/3958> (last visited Feb. 8, 2015) [hereinafter, *Sedona WG10 Discovery Chapter*].

<sup>31</sup> See W.D. Pa. Local Patent Rule 3.1.

<sup>32</sup> For a full discussion of Working Group 10’s recommended early production of information and documents requirements regarding validity issues, see *Sedona WG10 Discovery Chapter*, *supra* note 30, at Sec. IV.A. (Initial Disclosures) and Sec. IV.B. (Initial Contentions).

<sup>33</sup> Of course, such disclosures would be irrelevant and not required in cases in which damages are not sought, such as ANDA cases or those in which the patentee seeks only an injunction or declaratory relief.

reflecting the quantity of accused products sold in the United States and the revenue from those sales, and within 58 days of service of the Answer that the patentee file a good-faith estimate of its expected damages, “including a summary description of the method used to arrive at that estimate.” Even without the aid of local rules, courts should consider requiring parties to exchange this fundamental financial information early on.<sup>34</sup> Some courts have required more, including requiring the patent holder to identify its damages model and the accused infringer to produce “sales figures.”<sup>35</sup> Effective exchange of this kind of information can help the parties realistically assess the value of the case as well as the nature of the parties’ theories as to how damages should be calculated, and thus promote early, effective settlement discussions. And with respect to any informal “early estimate of the order of magnitude of damages at issue (e.g., less than \$10 million; \$25 million; more than \$100 million)” at the case management conference, such a disclosure likely “is important to the application of the principle of proportionality” that informs the scope of discovery that is warranted in a given case.<sup>36</sup> In order to enhance the likelihood that parties will provide candid early estimates, courts should consider assuring parties that these informal estimates will not be binding.<sup>37</sup>

**Best Practice 13 – As part of their initial Rule 26(f) conference, the parties should attempt to agree to a schedule for infringement and invalidity contentions; a schedule to substantially produce documents related to the accused products; and a schedule for the alleged infringer to decide whether it will waive the attorney-client privilege and produce opinion letters.**

Key deadlines in jurisdictions with local patent rules include (1) service of infringement and invalidity contentions; (2) production of documents related to the accused products and prior art; and (3) the timeframe for an accused infringer to decide to waive the attorney-client privilege and rely on an opinion of counsel. Among the benefits of applying these local rules and procedures are the fact that they result in relatively standard procedures for case management across many different jurisdictions whose dockets are burdened by numerous patent litigation actions; they promote standardized mechanisms that become increasingly more efficient for both the courts and the litigants as they are more widely adopted; they result in greater predictability with respect to the timing of certain key discovery disclosures and the narrowing of the issues in the case; and they lead to more predictable timing with respect to when both the *Markman* hearing and ultimate trial will occur.<sup>38</sup> To a similar end, Congress enacted Pub. L. No. 111–349 in 2011, instituting a ten

<sup>34</sup> See *PACid Group L.L.C. v. Cisco Sys. Inc.*, No. 6:09-cv-324, ECF No. 282, at 1 (E.D. Tex. May 17, 2011) (ordering early disclosure of damages documents before referring case to mediation); see also *Eon Corp IP Holding LLC*, 2013 WL 3982994, at \*1 (N.D. Cal. Mar. 8, 2013) (“[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.”); United States District Judge Sue L. Robinson’s (D. Del.) Patent Case Scheduling Order (revised March 24, 2014) (requiring that (1) a plaintiff disclose its damages theory along with the first round of initial disclosures, and (2) a defendant produce sales figures along with the second round of initial disclosures).

<sup>35</sup> See, e.g., Scheduling Order-Patent (D. Del. 2014), available at <http://www.ded.uscourts.gov/sites/default/files/Chambers/SLR/Forms/Sched-Order-Patent-03-24-14.pdf> (last visited Feb. 8, 2015); Track B Initial Case Mgmt. Order ¶ 3 (E.D. Tex. 2014), available at [http://www.txed.uscourts.gov/cgi-bin/view\\_document.cgi?document=24330](http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=24330) (last visited Feb. 8, 2015).

<sup>36</sup> See *Eon Corp.*, 2013 WL 3982994, at \*1.

<sup>37</sup> For a full discussion of Working Group 9’s recommended early production of information and documents requirements relevant to damages, see *Sedona WG9 Patent Damages Commentary*, *supra* note 28, at Sec. III. (Pretrial Principles and Best Practices), BP4 (“Both parties to a lawsuit should work together prior to the initial case management conference to facilitate the early disclosure of preliminary compensatory damages contentions (PCDCs) and supporting materials.”).

<sup>38</sup> See, e.g., James Ware & Brian Davy, *The History, Content, Application and Influence of the Northern District of California’s Patent Local Rules*, 25 Santa Clara Computer & High Tech. L.J. 965 (2009) (providing a general overview of the scope

year pilot program intended to enhance the patent expertise of selected federal judges serving among the fifteen most patent-active district courts in 2010, as well as to courts adopting or certifying their intention to adopt local patent rules.<sup>39</sup> Whether or not a case is filed in a jurisdiction with local patent rules or where the Patent Pilot Program is in place,<sup>40</sup> the parties to a patent infringement action should attempt during their initial Rule 26(f) conference to set out a discovery plan that includes deadlines for these kinds of disclosures and productions, and to highlight where they believe that there may be problems with how and when discovery will be produced under the proposed schedule.<sup>41</sup>

**Best Practice 14 – In the joint case management statement, the parties should each inform the court how they believe the underlying technology will affect discovery going forward.**

In patent infringement cases, the nature of the technology at issue can have a profound impact on how all phases of the lawsuit are litigated. Litigation between a major branded pharmaceutical company and one of its competitors seeking to introduce a generic variety of a popular drug via an Abbreviated New Drug Application (ANDA) and the Hatch-Waxman Act is inherently different than patent litigation involving computer applications or systems that thrive as a result of the popularity of the internet. By way of example, Hatch-Waxman Act patent litigation is typically tried to a judge, not a jury. That is because under the unique procedures associated with the Hatch-Waxman Act, cases often proceed to trial before there is an accused drug made available to the public by the generic manufacturer, and some typical damages-related questions may not even exist because of the absence of a product on the market. As a result, discovery in such cases may be focused upon the nuances of whether the generic manufacturer is using chemical formulae that have the same performance characteristics to those that are claimed in the underlying patent, and whether documents provide evidence of potential anticompetitive activities related to the licensing of the approved drugs of the patentee.

By contrast, a patent lawsuit involving a computer software or hardware application with broad applicability to many industries frequently will be predicated on an innovation that is more than a decade old, with substantial developments in the same technological area in the intervening years having created complex prior art and damages issues. The number of claims in a litigated patent involving a communications system that is alleged to be implemented in a broad swath of mobile devices, and indeed the number of patents being litigated, may be particularly numerous. One study has suggested that software and internet patents are eight times more likely to be litigated than other types of patents.<sup>42</sup> As a result, it is common in such cases for

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and nature of local patent rules, using those adopted by the Northern District of California as exemplary); Grace Pak, *Balkanization of the Local Patent Rules and a Proposal to Balance Uniformity and Local Experimentation*, Am. U. Intell. Prop. Brief, Spring 2011, at 44 (describing use of local patent rules to “manage the complexity of patent cases” and “provide a standard structure and promote consistency and certainty”), available at [http://www.ipbrief.net/volume2/issue3/IPB\\_Pak.pdf](http://www.ipbrief.net/volume2/issue3/IPB_Pak.pdf) (last visited Feb. 8, 2015).

<sup>39</sup> Patent Pilot Program, Pub. L. No. 111–349, 124 Stat. 3674 (2011).

<sup>40</sup> At least 24 U.S. district courts have formally adopted local patent rules. Districts that have adopted local patent rules (or variants upon them, including specific case management orders or provisions governing patent cases) include: N.D. Cal.; S.D. Cal.; D. Del.; N.D. Ga.; D. Idaho; N.D. Ill.; N.D. Ind.; S.D. Ind.; D. Md.; D. Mass.; D. Minn.; E.D. Mo.; D. Nev.; D.N.H.; D.N.J.; E.D.N.Y.; N.D.N.Y.; S.D.N.Y.; E.D.N.C.; M.D.N.C.; W.D.N.C.; N.D. Ohio; S.D. Ohio; W.D. Pa.; E.D. Tex.; N.D. Tex. (Dallas Division); S.D. Tex.; E.D. Wash.; and W.D. Wash.

<sup>41</sup> Currently, Working Group 9 is undertaking the task of working on developing a set of proposals to accomplish these objectives.

<sup>42</sup> John R. Allison, Emerson H. Tiller, Samantha Zynotz & Tristan Bligh, *Patent Litigation and the Internet*, 2012 Stanford Tech. L. Rev. 3 (2012).

courts to entertain complex arguments related to how underlying computer source code implemented within an accused product should be made available to the plaintiff's attorneys, including where the source code will be stored, in what form it will be produced, and what parties may review the source code (and under what conditions). Additionally, many computer software and hardware engineers routinely communicate with one another from a variety of offices located across the globe via electronic messaging, raising a host of issues associated with how electronic discovery will need to be searched and produced.

It is imperative that at the very outset of a patent infringement action, the parties do their best to inform the court as to the nuances of the underlying technology involved in the dispute, and how it may impact case management going forward—especially discovery. This process necessarily includes advising the court how electronic discovery is likely to be impacted by the nature of the technology in dispute, and whether and to what extent the parties need to be concerned with the impact of discovery on collateral proceedings, such as *inter partes* review, covered business method patent review, *inter partes* reexamination, and *ex parte* reexamination.

**Best Practice 15 – At the case management conference, the parties should identify any case-dispositive or settlement-driving issues that they believe may warrant focused discovery or early motion practice.**

Many patent cases are dependent upon the outcome of a limited number of critical issues that may, in appropriate cases, be amenable to early resolution by the courts. Likewise, the resolution of some issues in patent cases, such as determining whether a particular patent is subject to a standards-setting obligation in which the patentee must offer a FRAND royalty rate, may heavily dictate settlement strategies for both parties and be outcome determinative as to what measure of damages can be collected from valid patents. Many of these outcome-dependent or settlement-dictating issues should be recognizable by the attorneys representing the parties as early as the Rule 16 meeting of counsel. Courts should incentivize the attorneys in patent cases to identify any issues that could, in fact, be outcome-determinative or settlement-driving. However, in deciding what issues can be subject to focused discovery, courts also should strive to avoid situations that will result in piecemeal or unnecessarily protracted litigation.

Accordingly, where appropriate, at the case management conference the court should consider entering a scheduling order that tailors discovery and motion practice to resolve, or at least focus upon, critical issues identified by the parties in the Rule 16(f) joint discovery plan.<sup>43 44</sup>

**Best Practice 16 – The court should consider implementing different tracks for patent cases, allowing the court in appropriate cases to utilize procedures with streamlined discovery and to set an earlier trial date.**

While many litigants may prefer to utilize the normal procedures associated with patent litigation, there also may be situations where the court or the parties believe a more streamlined approach is warranted. For instance, the Eastern District of Texas employs both a standard track and a streamlined track case

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<sup>43</sup> For an additional discussion of WG10's recommended best practices regarding the potential staging of discovery, see *Sedona WG10 Discovery Chapter, supra* note 30, at Sec. V. (Bifurcation or Staging of Discovery).

<sup>44</sup> For a full discussion of WG10's recommended best practices regarding early summary judgment, see The Sedona Conference, *Commentary on Patent Litigation Best Practices: Summary Judgment Chapter* (Aug. 2014, public comment version), available at <https://thesedonaconference.org/download-pub/3960> (last visited Feb. 8, 2015) [hereinafter, *Sedona WG10 Summary Judgment Chapter*], at Sec. II (Early Summary Judgment).

management procedure for patent cases.<sup>45</sup> Under the streamlined Track B procedure, the court may unilaterally impose, or the parties may jointly agree to employ, a default case schedule in which the litigants are required early in the case to serve upon one another key disclosures, such as infringement and invalidity contentions. Similarly, the District of New Jersey Local Patent Rules require a party asserting infringement to disclose asserted claims and infringement contentions “not later than 14 days after the initial Scheduling Conference,” along with key supporting documents, as well as documents pertaining to, for example, conception, reduction to practice, patent ownership, and sale, offer for sale, or public use of the claimed invention prior to the date of the patent application.<sup>46</sup> The District of New Jersey Local Patent Rules further require a party accused of infringement to disclose invalidity contentions and supporting documents “not later than 45 days after service upon it of the ‘Disclosure of Asserted Claims and Infringement Contentions.’”<sup>47</sup>

The advantage of employing streamlined procedures where warranted is that the approach may produce additional efficiencies and cost savings, while still ensuring the parties receive a full and fair opportunity for the speedy determination of each case on its merits. The expedited exchange of key information at early stages of the underlying litigation mitigates defense concerns that patent owners might leverage the cost of defense into a settlement, while also ensuring that the patent holder is able to receive key damages information from defendants without any possible tactical delay.

**Best Practice 17 – The court should enter eDiscovery orders outlining the scope and limits of eDiscovery when the court enters the initial case management and protective order.<sup>48</sup>**

Management of electronic discovery is critical in patent litigation. Therefore it is incumbent at as early a stage as possible for courts in patent cases to identify the likely scope of electronic discovery, and enter appropriate orders governing procedures for the storage and production of such information. Preferably, the procedures to be employed for the management and production of electronic discovery will be made at the same time, or as close as possible, to when the court enters its case management order. Because they cover similar subject matter, courts also should strive to enter an appropriate protective order at the same time. Assisting that process, many courts provide default protective orders that can be used until the court enters a tailored protective order.<sup>49</sup>

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<sup>45</sup> See Gen. Order 14-3 (E.D. Tex. 2014), available at [http://www.txed.uscourts.gov/cgi-bin/view\\_document.cgi?document=24330](http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=24330) (last visited Feb. 8, 2015). Under the Eastern District of Texas’s “Track B” initial case management order, plaintiffs are required within 14 days of all defendants’ filing an answer or Rule 12(b) motion to serve infringement contentions and produce all licenses or settlement agreements concerning the patents-in-suit and related patents. *Id.* Shortly after, other deadlines follow for initial disclosures, a good faith damages estimate, and invalidity contentions. *Id.*

<sup>46</sup> See D.N.J. Local Patent Rules 3.1-3.2, 3.6, available at <http://www.njd.uscourts.gov/sites/njd/files/completelocalRules.pdf> (last visited Feb. 8, 2015).

<sup>47</sup> See *id.*, Local Patent Rules 3.3-3.4, 3.6.

<sup>48</sup> For a full discussion of eDiscovery orders, etc., see The Sedona Conference, *The Sedona Principles Addressing Electronic Document Production* (2d ed. 2007), available at <https://www.thesedonaconference.org/download-pub/81> (last visited Feb. 8, 2015) [hereinafter, *Sedona WG1 Principles Addressing Electronic Document Production*], and *Sedona WG10 Discovery Chapter*, *supra* note 30, at Sec. II. (Initial Discovery Communications).

<sup>49</sup> N.D. Cal., Patent Local Rule 2-2 Interim Protective Order (2014), Stipulated Protective Order for Litigation Involving Patents, Highly Sensitive Confidential Information and/or Trade Secrets (2014), and Stipulated Protective

Given the rise in importance of electronic discovery in the past decade, many courts now require compliance with special local rules, case management orders, eDiscovery orders, forms, or other guidelines that address the discovery of electronically stored information.<sup>50</sup> Likewise, The Sedona Conference's Working Group 1 on

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Order for Standard Litigation, available at <http://www.cand.uscourts.gov/model-protective-orders> (last visited Feb. 8, 2015).

<sup>50</sup> D. Alaska Local Form 26(f): Scheduling and Planning Conference Report Local Rule 16.1 Pre-Trial Procedures (requiring use of Local Form 26(f) or one substantially similar); E.D. Ark. and W.D. Ark., Local Rule 26.1 Outline for Fed. R. Civ. P. 26(f) Report; N.D. Cal., Guidelines for the Discovery of Electronically Stored Information, ESI Checklist for use during the Rule 26(f) meet and confer process, Model Stipulated Order Re: the Discovery of Electronically Stored Information Standing Order for All Judges of the Northern District of California, Joint Case Management Statement & [Proposed] Order; S.D. Cal., Local Patent Rule 2.1 Governing Procedure, Local Patent Rule 2.6 Model Order for Electronically Stored Information ("ESP"), Model Order Governing Discovery of Electronically Stored Information in Patent Cases; D. Colo., Civil Case Scheduling Order; D. Conn., Local Civil Ruler 16(b), Local Civil Rule 26, Local Civil Rule 37, Form 26(F); D. Del., Default Standard for Discovery, Including Discovery of Electronically Stored Information ("ESI"), Default Standard for Access to Source Code; Bankr. D. Del. L.R. 7026-3 Discovery of Electronic Documents ("E-Discovery"); M.D. Fla., Civil Discovery Practice Handbook (Part VII "Technology"); S.D. Fla., Local Rules, Rule 16.1 Pretrial Procedure in Civil Actions, Rule 26.1 Discovery and Discovery Material (Civil), Appendix A: Discovery Practices Handbook; N.D. Ga. LR 16.2 Joint Preliminary Report and Discovery Plan; Appendix B: Documents Associated with Civil Cases Pending in the United States District Court of the Northern District of Georgia; S.D. Ga., Rule 26(f) Report; Bankr. D. Haw., LBR 1004-1. Rule 2004 Examinations; D. Idaho, Rule 16.1 Scheduling Conference, Voluntary Case Management Conference (VCMC) and Litigation Plans; N.D. Ind., Report of Parties' Planning Meeting; S.D. Ind., Uniform Case Management Plan (see Part III(K)), Rule 16.1 Pretrial Procedures (requiring use of Uniform Case Management Plan); N.D. Iowa and S.D. Iowa, Scheduling Order and Discovery Plan, Instructions and Worksheet for Preparation of Scheduling Order and Discovery Plan and Order Requiring Submission of Same, Local Rule 16.1 Scheduling Order and Discovery Plan (requiring use of form), Local Rule 26.1 Pretrial Discovery and Disclosures (requirement to submit discovery plan satisfied by submission of form Scheduling Order and Discovery Plan); D. Kan., Guidelines for Discovery of Electronically Stored Information, Initial Order Regarding Planning and Scheduling; D. Md., Suggested Protocol for Discovery of Electronically Stored Information, Local Rule 802 Scheduling Conference, Stipulated Order Regarding Confidentiality of Discovery Material and Inadvertent Disclosure of Privileged Material, Appendix A: Discovery Guidelines of the United States District Court for the District of Maryland; Bankr. D. Md., Appendix C: Discovery Guidelines of the United States District for the District of Maryland; D. Mass., Local Rule 16.6 Scheduling and Procedures in Patent Infringement Cases; D. Minn., Local Rules of Civil Procedure, Form 3 Rule 26(f) Report, Form 4 Rule 26(f) Report (Patent Cases); N.D. Miss. and S.D. Miss., Local Civil Rule 26 Discovery Control, Local Civil Rule 45 Subpoena, Case Management Order; E.D. Mo., Local Rule 26-3.01 Federal Rule of Civil Procedure 26; D. Neb., Form 35: Report of Parties' Rule 26(f) Planning Conference; D.N.H., Local Rule 26.1 Discovery Plan Civil Form 2: Sample Discovery Plan; D.N.J., Local Rule 26.1 Discovery (subpart (d)), Joint Proposed Discovery Plan; E.D.N.Y., Local Rule 26.3 Uniform Definitions in Discovery Requests; N.D.N.Y., General Order 25 (subsection G of Case Management Plan form); S.D.N.Y., Local Rule 26.3 Uniform Definitions in Discovery Requests, Standing Order (In re: Pilot Project Regarding Case Management Techniques for Complex Civil Cases in the Southern District of New York [Exhibit B: Joint Electronic Submission and Proposed Order]); W.D.N.Y., Rule 16 Alternative Dispute Resolution and Pretrial Conferences, Rule 26 General Rules Governing Discovery; W.D.N.C., Local Civil Rule 16.1 Pretrial Conferences (subpart (G) Initial Pretrial Conference); N.D. Ohio, Local Rules, Appendix K: Default Standards for Discovery of Electronically Stored Information ("E-Discovery"), Rule 16.3 Track Assignment and Case Management Conference, Local Patent Rules Appendix A: Stipulated Protective Order, Local Patent Rules Appendix B: Report of Parties' Planning Meeting in Patent Cases; S.D. Ohio, Rule 26(f) Report of Parties (Western Division at Dayton), Rule 26(f) Report of the Parties (Eastern Division), General Order No. 12-01. Pretrial and Trial Procedures [Dayton]; N.D. Okla., Guidelines for Discovery of Electronically Stored Information; W.D. Okla., Appendix II, Form: Joint Status Report and Discovery Plan (Civil and Criminal, scroll to relevant Appendix [p. 71]), LCrR 16.1 Discovery Conference, Best Practices for Electronic Discovery of Documentary Materials in Criminal Cases; E.D. Pa., Report of Rule 26(f) Meeting; M.D. Pa., 26.1 Duty to Investigate and Disclose, Appendix A Joint Case Management Plan; W.D. Pa., Local Civil Rule 16.1 Pretrial Procedures, Local Civil Rule 26.2 Discovery of Electronically Stored Information, Local Civil Rule 34 Serving and Responding to Requests for Production in Electronic Form, Local Civil Rules Appendix 16.1A: 26(f) Report of the Parties, Local Civil Rules Appendix 23.E: 26(f) Joint Report of the Parties (Class Action); Bankr. W.D. Pa., Local Bankr. Rule 7026-1 Discovery of Electronic

Electronic Document Retention and Production has issued numerous guidelines covering different aspects of the use and discovery of electronically stored information.<sup>51</sup> Many individual courts have similarly created

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Documents (“E-Discovery”), Local Bankr. Rule 7026-2 Electronic Discovery Special Master; D.P.R., Rule 16 Pretrial Conferences; Scheduling; Management; M.D. Tenn., Administrative Order No. 174: Default Standard for Discovery of Electronically Stored Information (“E-Discovery”); W.D. Tenn., Local Rule 26.1 Discovery in Civil Cases, Local Patent Rules Appendix A: Stipulated Protective Order, Local Patent Rules Appendix B: Joint Planning Report and Proposed Schedule; E.D. Tex., [Model] Order Regarding E-Discovery in Patent Cases (see Appendix P); N.D. Tex., Amended Miscellaneous Order No. 62 (Dallas Division, Patent Cases) (see item 2.1(a)(2)); S.D. Tex., Local Rules of Practice for Patent Cases Rule 2-1. Procedure; D. Utah, Attorney’s Planning Meeting Report; Bankr. D. Utah, Form 35: Report of the Parties’ Planning Meeting Pursuant to Fed. R. Civ. P. 26(f); D. Vt., Local Civil Rule 26 Discovery; W.D. Wash., Local Rule of Civil Procedure Rule 26 Duty to Disclose; General Provisions Governing Discovery, Model Agreement Regarding Discovery of Electronically Stored Information (as addressed in LR 26(f)(1)(I)(ii)); S.D.W. Va., Report of Parties’ Planning Meeting, Local Rule 16.1 Scheduling Conferences (requiring use of court’s form); E.D. Wis., Civil L. R. 16 Pretrial Conferences; Scheduling; Management; Alternative Dispute Resolution, Civil L. R. 26 Duty to Disclose; General Provisions Governing Discovery; D. Wyo., V. Discovery, 26.1 Discovery, 26.2 Electronically Stored Information (ESI); 7<sup>th</sup> Cir., Electronic Discovery Pilot Program.

<sup>51</sup> The Sedona Conference, *Cooperation Proclamation: Resources for the Judiciary* (Dec. 2014, public comment version), available at <https://thesedonaconference.org/download-pub/3968> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on Protection of Privileged ESI* (Nov. 2014, public comment version), available at <https://thesedonaconference.org/download-pub/4006> (last visited Feb. 8, 2015); The Sedona Conference, *Glossary: E-Discovery & Digital Information Management* (4th ed. Apr. 2014), available at <https://thesedonaconference.org/download-pub/3757> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on Information Governance* (Dec. 2013, public comment version), available at <https://thesedonaconference.org/download-pub/3421> (last visited Feb. 8, 2015); The Sedona Conference, *Best Practices Commentary on Search & Retrieval Methods* (Dec. 2013), available at <https://thesedonaconference.org/download-pub/3999> (last visited Feb. 8, 2015); The Sedona Conference *Commentary on Achieving Quality in the E-Discovery Process* (Dec. 2013), available at <https://thesedonaconference.org/download-pub/3668> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on Proportionality* (January 2013), available at <https://thesedonaconference.org/download-pub/1778> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on Ethics & Metadata* (Aug. 2013), available at <https://thesedonaconference.org/download-pub/3111> (last visited Feb. 8, 2015); The Sedona Conference, *Primer on Social Media*, 14 Sedona Conf. J. 191 (2013), available at <https://thesedonaconference.org/download-pub/1751> (last visited Feb. 8, 2015); The Sedona Conference, *Database Principles Addressing the Preservation and Production of Databases and Database Information in Civil Litigation*, 15 Sedona Conf. J. 171 (2014), available at <https://thesedonaconference.org/download-pub/4008> (last visited Feb. 8, 2015); The Sedona Conference, “Jumpstart Outline”: *Questions to Ask Your Client & Your Adversary to Prepare for Preservation, Rule 26 Obligations, Court Conferences & Requests for Production* (Mar. 2011), available at <https://thesedonaconference.org/download-pub/427> (last visited Feb. 8, 2015); The Sedona Conference, *Cooperation Guidance for Litigators & In-House Counsel* (Mar. 2011), available at <https://thesedonaconference.org/download-pub/465> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on Legal Holds: the Trigger & the Process* (Sept. 2010), available at <https://thesedonaconference.org/download-pub/3992> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on Inactive Information Sources* (July 2009, public comment version), available at <https://thesedonaconference.org/download-pub/64> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on Preservation, Management and Identification of Sources of Information that are Not Reasonably Accessible* (Aug. 2008), available at <https://thesedonaconference.org/download-pub/3932> (last visited Feb. 8, 2015); The Sedona Conference, *Cooperation Proclamation* (July 2008), available at <https://thesedonaconference.org/download-pub/3802> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on Non-Party Production & Rule 45 Subpoenas* (Apr. 2008), available at <https://thesedonaconference.org/download-pub/69> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on ESI Evidence & Admissibility* (Mar. 2008), available at <https://thesedonaconference.org/download-pub/70> (last visited Feb. 8, 2015); The Sedona Conference, *The Sedona Guidelines: Best Practice Guidelines & Commentary for Managing Information & Records in the Electronic Age* (Nov. 2007), available at <https://thesedonaconference.org/download-pub/74> (last visited Feb. 8, 2015); The Sedona Conference, *Commentary on Email Management* (Aug. 2007), available at <https://thesedonaconference.org/download-pub/75> (last visited Feb. 8, 2015); Thomas Y. Allman, *The Sedona Principles after the Federal Amendments* (Aug. 2007), available at <https://thesedonaconference.org/download-pub/78> (last visited Feb. 8, 2015); *Sedona WG1 Principles Addressing Electronic Document Production*, *supra* note 48.

their own forms or have crafted their own preferred protocols for eDiscovery. The Federal Circuit Advisory Council and some district courts likewise have provided model orders governing electronic discovery in patent cases.<sup>52</sup>

In general, these electronic orders implement procedures associated with the Electronic Discovery Reference Model (EDRM), and contain provisions that dictate how parties employ information management, identification, collection, preservation, processing, review, analysis, production, and presentation of electronic information like emails, text messages, and wiki pages.<sup>53</sup> In the context of patent cases, model orders governing electronic discovery frequently will include a variety of provisions aimed at ameliorating the complexities and high costs of electronic production. Some typical conditions imposed by such model orders include the following: (1) provisions that allow costs to be shifted for disproportionate electronically stored information (ESI) production requests; (2) limitations on the parties' collection or production of metadata, and a requirement that good cause be shown before any metadata is produced; (3) requirements detailing that any requests for email production be made separate from other general ESI requests, and be tailored to specific issues rather than the general discovery of an accused product or system; (4) specified limits on how emails are to be searched based on the use of a limited number of permissible custodians and search terms; and (5) provisions ensuring that the inadvertent production of work product and attorney-client communications can be immediately remedied without substantial motion practice. Moreover, model orders, when particularized to patent cases, typically encourage the parties to make production requests seeking emails only after the parties first have exchanged initial disclosures, basic documentation about the patents, the prior art, the accused instrumentalities and information about the relevant financial issues.<sup>54</sup>

By incorporating these provisions governing eDiscovery into a court order at the onset of litigation, courts can help curb burdensome and costly requests for irrelevant material. This makes ESI production more focused and less wasteful, and saves all of the parties significant cost and expenditures. Indeed, by limiting the number of custodians and search terms employed to find information, courts can lead the parties to exercise care and due diligence in their discovery, while ensuring that discovery requests are targeted at specific information needed for the case. The benefit to the parties is that their litigation costs become significantly lowered. The courts should, when practicable and subject to the fact-specific needs of their individual patent cases, use its resources to shape how electronic discovery will be made available.

**Best Practice 18 – The court should require that the parties know in what form eDiscovery can and will be produced, and what limits will exist on eDiscovery, as part of its case management order.**

In complex litigation, documents can be scanned and produced in a multiplicity of computer-imaged forms (e.g., native, TIFF or PDF computer formats). As a result, questions frequently arise about how both paper and electronic documentation will be generated, converted, and produced. One very common question is whether electronic discovery will be converted to a word-searchable format for production. Courts should attempt to require that this question is resolved as part of the eDiscovery order, as it can impact a variety of cost and discovery issues that might not otherwise be recognized by the parties before they begin their

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<sup>52</sup> See Federal Circuit Advisory Council, Model Order Regarding E-Discovery in Patent Cases, available at <http://memberconnections.com/olc/filelib/LVFC/cpages/9008/Library/Ediscovery%20Model%20Order.pdf> (last visited Feb. 8, 2015); E.D. Tex., [Model] Order Regarding E-Discovery in Patent Cases (2014), available at [http://www.txed.uscourts.gov/cgi-bin/view\\_document.cgi?document=22218](http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=22218) (last visited Feb. 8, 2015).

<sup>53</sup> See, e.g., N.D. Cal., Guidelines for the Discovery of Electronically Stored Information, available at <http://www.cand.uscourts.gov/eDiscoveryGuidelines> (last visited Feb. 8, 2015).

<sup>54</sup> See, e.g., Federal Circuit Advisory Council, Model Order Regarding E-Discovery in Patent Cases, *supra* note 52.

exchange of information. For example, courts should require that any discoverable information or data that was stored or generated by a party in a proprietary format that is not generally readable by computers used by the receiving parties' lawyers is to be converted into and produced in a format that the receiving party can reasonably be expected to use.

**Best Practice 19 – The court should require the parties to address in the Rule 26 joint discovery plan how and where they believe any computer source code production should be made available to the parties and experts.**

Patent litigation involving allegations where computer software is the accused device, or is relevant to proving infringement, is invariably complex and expensive. As a result, both fact and expert discovery in such cases are also expensive and time-consuming. As part of the infringement analysis (and sometimes as part of an invalidity analysis), both parties will engage experts and forensic software analysts to review and prepare summaries of the functionality of the underlying source code. This process by itself can be extremely expensive, as the source code to many modern computer applications can run into the hundreds of thousands, even millions, of lines of programming, and may take weeks for even sophisticated consultants to review in any detail. Adding complexity to the problem, computer source code is typically deemed to be the “crown jewel” of companies engaged in exploiting such software, and is invariably treated as a confidential trade secret that is competitively sensitive.

As a result, discovery in patent litigation governing source code cannot really begin in earnest until a protective order is in place that sets out the parameters for how, when, and where source code will be produced to a requesting party. Given its heightened confidentiality, source code disclosure almost always is the subject of detailed provisions set forth in the underlying protective order. Accordingly, courts should require that before the first case management and scheduling conference, the parties in their Rule 26 joint discovery plan set forth exactly how and where they believe any source code will be produced. By forcing the parties to address these issues before the case management conference, the court ensures that it can resolve any disputes before undue expense or delay results from the parties' disputes. Some courts have developed model protective order source code provisions that govern patent infringement until a specific protective order tailored to the facts can be entered.<sup>55 56</sup>

**Best Practice 20 – The court should require that the parties address whether there should be a patent prosecution bar in the protective order, and to what extent such a patent prosecution bar should apply to anticipated parallel USPTO proceedings, such as *inter partes* review.**

It is not uncommon for seasoned patent litigators also to maintain a robust practice prosecuting patents before the Patent and Trademark Office, or to include attorneys with prosecution backgrounds as part of their litigation teams. Because these same attorneys may as part of their litigation practice receive access to highly confidential and competitively sensitive business information such as source code, parties often seek to include patent prosecution bar provisions in the protective order that prevent the attorneys from prosecuting any patents relating to the parties' own technologies. The concern is that the attorneys have the skills requisite to draft patent applications that cover the opposing parties' products. The same attorneys may be involved in drafting or prosecuting patent applications for the party asserting the patents in the infringement action. Such

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<sup>55</sup> See N.D. Cal., Stipulated Protective Order for Litigation Involving Patents, Highly Sensitive Confidential Information and/or Trade Secrets (2014), available at <http://www.cand.uscourts.gov/model-protective-orders> (last visited Feb. 8, 2015).

<sup>56</sup> For a full discussion of Working Group 10's recommended best practices regarding source code discovery, see *Sedona WG10 Discovery Chapter*, *supra* note 30, at Sec. VI.C. (Source Code Discovery).

prosecution bars also can extend to parallel proceedings such as *ex parte* reexaminations, *inter partes* reexaminations, *inter partes* review, and covered business method review, where the patentee has the right to amend the patent claims. In the case of *inter partes* review and covered business method review, however, the potential issue may apply to attorneys on both sides since the attorneys defending the action may be involved in drafting the petition on which either proceeding is instituted. Both forms of parallel proceedings are more akin to a litigation than the prosecution of a patent. In joint defense groups, it is not uncommon for attorneys to also represent competitors of other defendants in unrelated prosecution of other patent applications. Hence, an unnecessarily broadly worded patent prosecution bar can inhibit such defense counsel's ability to prosecute those other patent applications. Plaintiff's counsel likewise may be unfairly inhibited from prosecuting other patents outside of the immediate litigation if the prosecution bar is too broad.

Disputes over patent prosecution bars are frequently contentious because they severely limit the choice of counsel and give rise to ethical constraints that may govern future work, including in parallel proceedings and in unrelated prosecution of other patents. Accordingly, as early in any patent litigation as possible, courts should encourage the parties to discuss and address the question of whether the protective order should include a patent prosecution bar, and how extensive its reach should be, including whether it should cover an attorneys' participation in a related *inter partes* review or the prosecution of unrelated patent applications.<sup>57</sup> It is always preferably that these disputes be worked out by the parties themselves, and that any disputes that cannot be resolved informally be raised and resolved by the courts as early in the proceedings as possible.

## 5. Claim Construction

**Best Practice 21 – After the case management conference, the court should establish a schedule in a scheduling order that sets dates for claim construction briefing, any related briefing of issues that also will need to be addressed at the *Markman* hearing, a tutorial (if any), and a date for a *Markman* hearing.**

Determining the proper construction of asserted claims forms a fundamental part of most patent-infringement cases. The Supreme Court's ruling in *Markman*<sup>58</sup> has led courts to hold claim construction hearings (i.e., *Markman* hearings) and issue rulings to resolve disputes between the parties on the proper construction of disputed claim terms. As the case law concerning *Markman* has developed, the courts also have identified issues inextricably intertwined with claim construction that are advantageously addressed at the same time as claim construction. One such issue is claim indefiniteness, which the Supreme Court has acknowledged requires a court to determine if a claim, viewed in light of the specification and prosecution history, fails to inform, with reasonable certainty, those skilled in the art about the scope of the invention.<sup>59</sup> Because indefiniteness renders a claim invalid, and because the parties may feel the need to submit expert testimony in conjunction with claims that are alleged to be indefinite, many courts may prefer that issues

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<sup>57</sup> The Sedona Conference's WG10 Parallel USPTO Proceedings drafting team recommends as a best practice that "[l]itigation counsel should not be barred from litigating patentability in the PTAB." See *Sedona WG10 Parallel USPTO Proceedings Chapter*, *supra* note 5, at Sec. II.D. (Protective Orders), BP35. Some members of the WG10 Case Management Issues from the Judicial Perspective drafting team, however, have questioned whether this recommendation is representative of consensus across WG10, and propose instead that this issue be decided by the courts on a case-by-case basis. WG10 will continue to dialogue this issue and attempt to bring it to consensus.

<sup>58</sup> *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

<sup>59</sup> *Nautilus, Inc. v. Biosig Instruments, Inc.*, \_\_\_ U.S. \_\_\_, 134 S.Ct. 2120 (Apr. 28, 2014).

associated with this issue be separately raised in motions for summary judgment, but resolved at the same time as other *Markman* issues.

If a court decides to hold a *Markman* hearing in a case, the court should set a schedule for the disclosures, briefing, and hearing to tee up the claim construction issues for resolution. The schedule should include dates for the following deadlines:

- (i) exchange of the claim terms for which parties request construction;
- (ii) exchange of initial proposed constructions of terms proposed for construction, along with supporting intrinsic and extrinsic evidence;
- (iii) meet-and-confer regarding the disputed constructions to see if the parties can agree on the constructions for any of the proposed terms;
- (iv) submission to the court of a joint claim construction statement;
- (v) opening and responsive briefs and supporting declarations, if any;
- (vi) any related motions directed to issues to be addressed at the same time as the other *Markman* issues, such as whether particular claims are indefinite;
- (vii) submission (if reduced to media) or holding (if requested by the court) of a technology tutorial;<sup>60</sup> and
- (viii) the claim construction hearing.

Because the issue of claim construction is so important to the resolution of patent cases, courts should issue a schedule for claim construction briefing and the date of the *Markman* hearing following the case management conference.

**Best Practice 22 – At the case management conference, the parties should be prepared to discuss with the court whether a tutorial prior to the *Markman* hearing would be beneficial, and if so, the timing, format and scope of any such tutorial.**

The court has broad discretion to adopt procedures or tools to aid its understanding of technically complex issues.<sup>61</sup> The technological complexity involved in patent litigation varies tremendously from case to case.

Depending on the complexity of the patent(s)-in-suit and the court's familiarity with certain technologies, a tutorial presented by the parties may be helpful to the court. In many courts with established patent practices, a tutorial is required as part of the claim construction process. Generally, the tutorial should be an objective presentation rather than one addressing the merits of a case. At the case management conference, courts should inform the parties of their preferences regarding the necessity, scope, and format of a tutorial. Parties should likewise be prepared to present their positions regarding the tutorial, including the role that any

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<sup>60</sup> The District of Delaware requires that the parties separately or jointly submit a technology tutorial of no more than 30 minutes on DVD. *See* Chief Judge Stark patent scheduling orders, *available at* <http://www.ded.uscourts.gov/judge/chief-judge-leonard-p-stark> (last visited Feb. 8, 2015).

<sup>61</sup> *See, e.g.*, Fed. R. Evid. 706 (Court-Appointed Expert Witnesses); Fed. R. Civ. P. 53 (Masters).

experts or advisors may play in the tutorial. Consideration should be given to the length and scheduling of the tutorial.<sup>62 63</sup>

**Best Practice 23 – At the case management conference, the court should inform the parties of its preferred format for the *Markman* hearing.**

Early in a case, the court should explain to the parties how it prefers to conduct the *Markman* hearing, including the length of such hearings, whether or not it prefers live testimony, and whether or not it will permit demonstratives or visual aids.

Live testimony at a hearing typically makes the proceeding more complicated and lengthy, and often more confusing when there is conflicting testimony. On the other hand, there may be issues argued at the hearing that benefit from expert testimony, such as whether particular claims are indefinite. Courts sometimes appoint their own expert, and the parties may wish to question that court appointed expert as part of the proceedings. The court and the parties thus should consider the question of whether live or expert testimony will be necessary to arguments well in advance of the hearing in order to allot ample hearing time, and set the scope of testimony to be received, including that of any court-appointed expert. As soon as is practical, the court should explain to the parties how it intends to receive claim construction evidence and otherwise conduct the hearing. Where a court appoints an expert, the court should identify whether or not that expert will offer testimony at the *Markman* hearing, and make clear the scope and purpose of that testimony and the scope of information that the parties should be entitled to obtain from the expert.<sup>64</sup>

**Best Practice 24 – Should the court wish to utilize a court-appointed expert or technical advisor, the court should raise its preference with the parties at the initial case management conference, or as early as possible thereafter.**

Courts may use appointed experts to aid with technical aspects of a case. The specific role of an expert or advisor will vary based on the court's anticipated use of the expert or advisor.

Courts often solicit recommendations for experts or technical advisors from the parties. After receiving the parties' submissions, courts will generally narrow the list of candidates and interview them before selecting one. The selection process of identifying a pool of potential candidates from which to select and appoint an expert or technical advisor can be lengthy and contentious. It is recommended that where a court-appointed expert or advisor will be utilized, this process begin as early as possible.

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<sup>62</sup> For a full discussion of Working Group 10's best practice recommendations regarding technology tutorials and the roles of experts in tutorials, see The Sedona Conference, *Commentary on Patent Litigation Best Practices: Use of Experts Chapter* (Oct. 2014, public comment version), at Sec. IV. (Use of Experts to Present a Technical Tutorial), BP3 ("The timing and format of the technology tutorial should be discussed at the Rule 26(f) conference and addressed in the court's Rule 16(b) Scheduling Order."), available at <https://thesedonaconference.org/download-pub/3959> (last visited Feb. 8, 2015) [hereinafter, *Sedona WG10 Use of Experts Chapter*].

<sup>63</sup> For a full discussion on this issue, see *infra*, Sec. I.C.1 (Technology Tutorial Management).

<sup>64</sup> See *id.*

**Best Practice 25 – If the court plans to utilize a court-appointed expert or technical advisor, the parties should be involved in the selection of potential candidates, and the court should issue an order defining the individual’s role and responsibilities in the claim construction proceedings.**

Should a court plan to use an expert or technical advisor under FRE 706, the court should establish a procedure for selecting that expert or advisor that permits input from the parties. For example, some courts have requested that parties jointly submit three potential candidates for the court’s consideration. If the parties cannot come to agreement over candidates to recommend, the court can permit them to submit separate recommendations. If disagreement over potential candidates arises, the parties should be encouraged to explain their positions.

The role of an expert or advisor deserves careful consideration and should be made explicit. Parties are often concerned when the expert or advisor has leave to speak freely with the court when the parties are not present. Likewise, parties may have a strong preference that the expert or technical advisor have a requisite background in the patented technology, and thus be deemed a “person of skill in the art” of the invention at issue. For that reason, discussions between advisors and the court outside the presence of the parties should be documented, and advisors should not provide off-the-record substantive input to the court regarding claim terms.<sup>65</sup>

Where the court appoints an expert who offers testimony, that expert’s testimony should be heard only sparingly at the *Markman* hearing and subject to cross-examination by the parties.<sup>66 67</sup>

**Best Practice 26 – The parties should advise the court, no later than the case management conference, whether a focused claim construction proceeding followed by a limited summary judgment motion is appropriate.**

Because of the judicial resources consumed by patent claim construction and summary judgment motions, serial claim construction and summary judgment motions directed to the same patent or issue (i.e., the filing of a first claim construction motion on a subset of claim terms, and later a claim construction motion on another set; or a first summary judgment motion followed by a subsequent summary judgment motion) are generally disfavored by the courts. Where the parties have identified a small number of disputed key claim terms whose resolution is potentially dispositive of the entire case or that would be crucial to meaningful settlement negotiations, however, an early, focused claim construction hearing, with the possibility of an early

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<sup>65</sup> See *id.*; see also *Carnegie Mellon University v. Marvell Technology Group et al.*, No. 2:09-cv-290 (W.D. Pa. June 28, 2010) at Dkt. No. 146 (Order Appointing a Technical Advisor) (describing the duties of the appointed expert and the ground rules for communication with the court and the parties); *In re Kensington*, 368 F.3d 289, 305 (“[A] judge may consult *ex parte* with a disinterested expert provided that the judge ‘gives notice to the parties of the person consulted and the substance of the advice, and affords the parties a reasonable opportunity to respond.’”) (quoting Code of Conduct for U.S. Judges Canon 3 § A(4) (2003)).

<sup>66</sup> See The Sedona Conference, *Report on the Markman Process* (Nov. 2010), available at <https://thesedonaconference.org/download-pub/497> (last visited Feb. 8, 2015) [hereinafter, *Sedona WG5 Markman Report*], Principle 14 (“Testimony From a Court-Appointed Expert Should be Used Sparingly”).

<sup>67</sup> For a full discussion of WG10’s recommended best practices for the use of court-appointed experts, see *Sedona WG10 Use of Experts*, Sec. II.B. (Court-Appointed Experts), and BP1 (“Both the selection of, as well as the communications with, the court-appointed expert or technical advisor should occur in the presence of the party attorneys or be put on the record in some fashion.”).

motion for summary judgment thereafter, may be advisable upon a specific showing by the moving party as to why and how this procedure will be more efficient.<sup>68 69</sup> In such a situation, the court may also consider whether to stay discovery for matters unrelated to the early claim construction or the resulting focused dispositive motion.<sup>70</sup>

## 6. Schedule for Fact Discovery and Expert Discovery Phases

**Best Practice 27 – The court should identify the dates of the close of fact and expert discovery in a scheduling order soon after a case management conference.**

Rule 16(b)(3) of the Federal Rules of Civil Procedure requires the court to issue a scheduling order limiting “the time to . . . complete discovery . . . .” While this rule requires only a single discovery cutoff date, the heavy reliance on expert testimony in patent infringement cases suggests that such cases would benefit by separate cutoff dates for fact and expert discovery. In many instances, fact and expert discovery itself is divided between “claim construction” and all other discovery. To avoid duplicative claim construction and other discovery, the court should identify in the case management order how (or if) claim construction discovery will be phased with discovery covering all other issues, such as liability, damages, invalidity, etc. Likewise, in order to avoid having to redo expert discovery because of late production of fact discovery, the close of expert discovery should be scheduled no earlier than 30 days after the last scheduled expert report is served on the parties. To the extent possible in view of the trial schedule, courts should allow sufficient time to accommodate fact discovery before the *Markman* hearing and after the court’s claim construction ruling.

## 7. Bifurcation—Discovery

**Best Practice 28 – The court should consider whether bifurcation of discovery would be appropriate at the case management conference.**

Courts should consider, as part of the initial case management conference, whether the interests of justice would be served by phasing discovery. For example, the court may choose to stay some or all damages discovery until after the court’s ruling on claim construction because a ruling on a particular term may promote settlement or stipulation to judgment of infringement/noninfringement followed by appeal, or set a

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<sup>68</sup> See *Sedona WG10 Summary Judgment Chapter*, *supra* note 44, at Sec. III. (Summary Judgment and Claim Construction), BP20 (“Summary judgment issues dependent on claim construction should be distinguished and treated separately from those independent of claim construction.”).

<sup>69</sup> For an example of a standing order implementing procedures for such an approach, see Standing Order Regarding Letter Brief and Briefing Procedures For Early Markman Hearing/Summary Judgment Of Noninfringement Request, available at [http://www.txed.uscourts.gov/cgi-bin/view\\_document.cgi?document=21674](http://www.txed.uscourts.gov/cgi-bin/view_document.cgi?document=21674) (last visited Feb. 8, 2015). These procedures reflect experience gained in that district in cases successfully implementing this approach. See, e.g., *Parallel Networks L.L.C. v. Abercrombie & Fitch Co.*, No. 6:10-cv-00111, ECF No. 338, at 6 (E.D. Tex. Mar. 15, 2010) (consolidating four cases, later construing three claim terms, granting in part the defendants’ resulting summary judgment motion, and resolving cases as to 99 of 112 defendants); *but see McAirloads, Inc. v. Kimberly-Clark Corp.*, No. 7:13-cv-00193, ECF No. 23, at 2 (W.D. Va. Aug. 5, 2013) (denying the defendant’s request for an initial phase of discovery, claim construction, and dispositive motions limited to a single claim term, on the grounds that construing a single term, “divorced from contextual clues” would (1) “hamstring” the court’s analysis, because a court often must interpret claim terms that are not in dispute to provide a proper context for construction of the disputed term, and (2) potentially make appellate review of the court’s analysis more difficult).

<sup>70</sup> See *Sedona WG5 Markman Report*, *supra* note 66, Principle 8 (“The *Markman* Hearing Should Take Place Toward the Middle of the Case and May, In Appropriate Circumstances, Be Combined With Summary Judgment”); *Sedona WG10 Summary Judgment Chapter*, *supra* note 44, Best Practice 18 (“The court should not stay discovery on issues unrelated to early summary judgment motions unless both parties agree the issue is dispositive.”).

case up for dispositive ruling on summary judgment of infringement or invalidity. Whether an asserted claim addresses patentable subject matter likewise is not tied to damages, and frequently can be addressed very early in the case, sometimes without claim construction, and sometimes even before discovery has begun.<sup>71</sup> Where damages are at the heart of the dispute, such as in a case involving calculation of a FRAND royalty covering a standards-essential patent, the court may accelerate, rather than defer, damages discovery. However, courts should as a general matter strive to avoid situations that will result in piecemeal or unnecessarily protracted litigation, and therefore phasing discovery should not be a presumptive or ordinary practice. When phasing discovery is appropriate, nonetheless, the parties will enjoy the benefits if the court addresses the issue early on in the case, such as at the case management conference.<sup>72</sup>

## 8. Settlement Schedule

### **Best Practice 29 – The court should address a suitable settlement process at the case management conference.**

One of the purposes of the initial pretrial conference is “facilitating settlement.” Fed. R. Civ. P. 16(a)(5). To that end, Rule 16(c)(2)(I) urges courts to “consider and take appropriate action on . . . settling the case and using special procedures to assist in resolving the dispute . . .” The first step is to identify an appropriate settlement process, e.g., mediation, early neutral evaluation, etc., as well as a selection of a neutral who will conduct the ADR process. The second step is to identify the deadline for the parties to participate in the settlement process and to report to the court. If the parties are unable to agree on these selections, then the court should identify the procedure by which it will, after considering input from the parties, decide the issue for the parties. The parties and the court should address what the appropriate settlement process should be for a case before the parties have incurred significant expenses associated with the litigation and, therefore, the parties and the court should address at the case management conference what settlement steps should take place and at what schedule.<sup>73</sup>

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<sup>71</sup> See *Ultramercial, Inc. v. Hulu, LLC*, No. 2010-1544 (Fed. Cir. Nov. 14, 2014) (affirming the district court’s granting of Rule 12(b)(6) motion that patent claims were not directed to patentable subject matter); see *id.*, slip op. at 15 (Mayer, J. concurring) (noting both that “whether claims meet the demands of 35 U.S.C. § 101 is a threshold question, one that must be addressed at the outset of litigation,” and “no presumption of eligibility attends the section 101 inquiry”).

<sup>72</sup> For a full discussion of Working Group 10’s recommended best practices regarding bifurcation or staging of discovery, see *Sedona WG10 Discovery Chapter*, *supra* note 30, at Sec. V (Bifurcation or Staging of Discovery).

<sup>73</sup> For example, N.D. Cal., ADR Local Rules, Rule 3-2 states:

When litigants have not stipulated to an ADR process before the Case Management Conference, the assigned Judge will discuss the ADR options with counsel at that conference. If the parties cannot agree on a process before the end of the Case Management Conference, the Judge will select one of the ADR processes offered by the Court, or may refer the case to a settlement conference hosted by a Magistrate Judge, unless persuaded that no ADR process is likely to deliver benefits to the parties sufficient to justify the resources consumed by its use.

## 9. Other Anticipated Pretrial Motions (i.e., *Daubert*)

### **Best Practice 30 – The court should identify the schedule for filing and briefing *Daubert* motions in a scheduling order following the case management conference.**

Rule 702 of the Federal Rules of Evidence and the Supreme Court’s decision in *Daubert* provide district courts with a gatekeeping responsibility.<sup>74</sup> *Daubert* motions are important in patent cases because of the heavy reliance on expert testimony at trial for liability and damages issues. Determination of *Daubert* challenges can alter significantly the settlement dynamics of a case. Accordingly, courts should consider scheduling the *Daubert* briefing and (if one is held) hearing in a scheduling order following the case management conference.<sup>75</sup> However, it also is important that such motions not be used as a tactical weapon, and hence appropriate limitations on their use also should be made part of the scheduling order. For instance, the court may want to limit the number of issues that a party can raise related to an expert’s qualifications or opinions, or set strict page limits on the length of *Daubert* motions. Likewise, many *Daubert* motions can be raised immediately after a party has received an expert’s report and taken the expert’s deposition. The court as part of its scheduling order may also want to sequence when *Daubert* motions can be raised, and require that they be raised either before or at the same time as when the parties file any related summary judgment motions. This avoids the problem of *Daubert* issues being raised on the eve of trial via motions *in limine*, which is a practice that should be discouraged.

## 10. Pretrial Conference Date

### **Best Practice 31 – The court should set a firm date for the final pretrial conference in a scheduling order following the case management conference.**

Rule 16(e) of the Federal Rules of Civil Procedure authorizes the court to hold a final pretrial conference and urges that such conference be “held as close to the start of trial as is reasonable . . . .” By clearing the date not only on the court’s calendar, but on the calendars of the parties’ counsel as well, the court ensures that it will be able to hold the date firm absent unusual circumstances; that is, neither party can change the date without showing good cause and obtaining the court’s approval.<sup>76</sup> Although a date may be considered “firm” with respect to other civil cases, if the exigencies of the court’s docket require the date’s postponement, the court should promptly reschedule the final pretrial conference for the next available date.

## 11. Trial Date

### **Best Practice 32 – The court should set a firm trial date in a scheduling order following the case management conference.**

According to Rule 16(b), setting and holding a firm trial date will force the parties to work diligently to “narrow the areas of inquiry and advocacy to those they believe are truly relevant and material,” “reduce the amount of resources invested in litigation,” and “establish discovery priorities and thus . . . do the most

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<sup>74</sup> *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 597 (1993) (“[T]he Federal Rules of Evidence . . . —especially Rule 702—do assign to the trial judge the task of ensuring that an expert’s testimony both rests on a reliable foundation and is relevant to the task at hand.”).

<sup>75</sup> For a full discussion of Working Group 10’s recommended best practices regarding *Daubert* issues, see *Sedona WG10 Use of Experts Chapter*, *supra* note 62, at Sec. VIII. (*Daubert* Motions).

<sup>76</sup> Fed. R. Civ. P. 16(b)(4).

important work first.”<sup>77</sup> To effectively hold parties to a trial date, however, the court should set that date after consulting not only its calendar but the calendar of the parties’ counsel at the case management conference, and inform them that once that date has been set, it will not be moved absent good cause and the court’s consent consistent with Rule 16(b). Although a date may be considered “firm” with respect to other civil cases, if the exigencies of the court’s docket require the date’s postponement, the court should promptly reschedule the trial for the next available date.

## 12. Supplemental Case Management Conference

### **Best Practice 33 – The court should schedule a supplemental case management conference, if warranted, after the initial case management conference.**

The court’s active involvement in management of a patent infringement action may require one or more supplemental case management conferences between the initial conference and final pretrial conference. Supplemental conferences may be appropriate after early mediation, early claim construction, early summary judgment or other “special procedures for managing potentially difficult or protracted actions that may involve complex issues, multiple parties, difficult questions, or unusual proof problems . . . .”<sup>78</sup> Fed. R. Civ. P. 16(c)(2)(L). Courts may find supplemental case management conferences particularly useful shortly after exchange of contentions, initial disclosures, and early document production. Indeed, in contentious cases, courts may find it useful to hold monthly telephone conferences to address issues before they ripen into formal motions. In such cases, the court may find it efficient to have the parties file an agreed agenda several business days in advance of each conference, or notify the court in advance if there are no issues to discuss.

## C. *MARKMAN* HEARING LOGISTICS

### 1. Technology Tutorial Management

#### **Best Practice 34 – Before the *Markman* hearing, the court should solicit the parties’ input regarding the length and scheduling of any technology tutorial.**

Courts use technology tutorials as opportunities to hear background information regarding the technology underlying the asserted patents. Such tutorials may be presented live or may be submitted to the court on recorded media. Because of the tutorial’s educational purpose, the parties may jointly present or submit the tutorial. The length of time required for a live tutorial will depend largely on the type of technology at issue, the level of technical detail the parties will address, and the degree of questioning the court anticipates asking of the parties. Some courts hold or request submission of tutorials earlier than the *Markman* hearing while others hold tutorials on the same day as the *Markman* hearing. Others receive tutorials by recorded media (e.g., DVD), and prefer to review them in chambers or immediately prior to the *Markman* hearing.

Should a court desire a live technology tutorial in a given case, it should order the parties to confer and jointly submit a proposal to the court regarding the anticipated length of the tutorial, the manner in which it will be presented, how time will be allocated at the tutorial session, the subject matter of the tutorial, and whether or not it will include live testimony. To give the court adequate time to consider the submission and to schedule the technology tutorial, the submission should be due at least six weeks prior to the *Markman* hearing.

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<sup>77</sup> Fed. R. Civ. P. 16(b), advisory committee’s note (1983).

<sup>78</sup> Fed. R. Civ. P. 16(c)(2)(L).

**Best Practice 35 – The court should inform the parties of its preferences regarding the recording of the tutorial and submission of any materials presented with the tutorial.**

Courts have indicated that having tutorials available to them on recorded media is helpful for them so that they may refer to materials presented. Having the tutorial on recorded media as part of the record may provide useful background if a court’s claim construction order is appealed to the Federal Circuit.

However, some courts may prefer a conversational tutorial in which they may ask questions of the parties without its being recorded. Having the proceedings unrecorded may facilitate a more open discussion with the parties that ultimately better enables courts to better understand the technology underlying the patent(s)-in-suit.<sup>79</sup>

Whether the technology tutorial is recorded and transcribed, any materials submitted by the parties should normally be filed and made part of the record before the district court.

## 2. *Markman* Briefing and Hearing Management

**Best Practice 36 – The court should instruct the parties to agree on the form of specific terms or phrases submitted for construction or to clarify areas of disagreement.**

A patent may have similar and closely-related claim terms that vary slightly in form. Where the parties disagree about the meaning associated with a term to be construed, the parties should agree on the precise term that is in dispute or clarify areas of disagreement. This will facilitate the court’s consideration of the issues in dispute.

By way of example, a claim may recite the limitations of “means for reducing inflammation” and “method of reducing inflammation comprising . . .” Should the parties agree that the disputed term is “reducing inflammation,” they should make that clear in their submission to the court. Should the parties agree that both terms “means for reducing inflammation” and “method of reducing inflammation comprising” should have synonymous meanings, that should be made clear as well. Should one party believe that “means for reducing inflammation” has a different or more limited construction than “method of reducing inflammation comprising . . .,” the parties should also make that clear.

**Best Practice 37 – The parties should prioritize by their relative importance the claim terms to be construed.**

Courts have indicated that having context for their claim construction decisions enables them to better understand how and why their constructions are significant. Courts have also expressed concerns regarding the parties’ use at trial of their adopted constructions in ways inconsistent with their presentations during the claim construction process.

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<sup>79</sup> See *Sedona WG10 Use of Experts Chapter*, *supra* note 62, BP4 (“Any technology tutorial should be presented or memorialized in written or video format for repeated review by the court and for submission on appeal.”).

Some courts require parties to prioritize claims in order of those most significant to the case.<sup>80</sup> Courts have found that when parties are forced to articulate the reasons they are proposing terms for construction in a joint submission, the number of terms for which the parties request construction dwindles.<sup>81</sup> Requiring parties to provide an explanation for their prioritization also aids in framing the context for the claim construction process and helps avoid inconsistencies in the use of the adopted constructions at trial.

**Best Practice 38 – The court should determine the length of the *Markman* hearing.**

Depending on the complexity of the particular case, the number of terms at issue, and the court’s questioning of the parties, a claim construction hearing may last an hour to several hours. In rare complex cases, *Markman* hearings may last several days.

After the parties have exchanged their proposed constructions for disputed claim terms, and have met and conferred to reduce the terms presented to the court, the court should determine the length of time to be allotted for the *Markman* hearing.

**Best Practice 39 – If there are a large number of terms to be construed, the court should organize *Markman* presentations by term, not by parties.**

At the *Markman* hearing, if there are a large number of terms to be construed, having parties respond to each other’s arguments for each claim term may be more beneficial to the court than having one party proceed through all of its proposed constructions before proceeding to the next party. The same applies when a small number of claim terms are at issue, though in that case courts may find efficiencies in permitting one side to present all of its arguments before permitting the other side to present its arguments and counterarguments.

**Best Practice 40 – Parties that propose “plain and ordinary meaning” of a term for construction should explain the contours of such construction if the term would remain ambiguous absent further construction.**

Though terms should in appropriate cases be given their “plain and ordinary meaning” to persons of skill in the art, members of the bench and bar have expressed concerns that the proposed construction “plain and ordinary meaning” has been used by parties to obfuscate their positions on invalidity and infringement. Other times, the main dispute before the court is whether to adopt a specific construction of a claim term, and if the court rejects that construction, the parties will not have a dispute as to whether the claim element is found within the accused product or prior art for purposes of determining infringement or invalidity. For instance, a party might request a construction of the term “computer” based on references to the term’s use in the specification. The other party might claim that it is sufficient for the court to accord the term’s “plain and ordinary meaning” to persons of skill in the art, and that the jury need not receive any further definition of the term to determine whether an accused product or prior art reference includes a “computer” for purposes of infringement or invalidity. If the court rejects the first party’s proposed construction, it may agree with the second party and rule that no further definition of the term is warranted at all.

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<sup>80</sup> See, e.g., D.N.J. L. Pat. R. 4.3(c) (In their joint claim construction statement, parties shall “identif[y] . . . the terms whose construction will be most significant to the resolution of the case.”).

<sup>81</sup> Compare *Ibormeith IP, LLC v. Mercedes-Benz USA, LLC*, No. 2:10-cv-5378, ECF No. 45-1 (FSH) (D.N.J. Sept. 15, 2011) (Joint Claim Construction and Prehearing Statement) (requesting seventeen terms for construction), *with id.*, ECF No. 69-1 (Apr. 11, 2012) (Supplemental Joint Claim Construction Statement) (reducing number of disputed terms to five).

The court, however, also may feel that a term must be given some definition, even where one of the parties advocates the term should be accorded its “plain and ordinary” meaning. For instance, the court may be concerned that a jury will not understand if a calculator, an abacus, or a cash register is a “computer” within the meaning of a patent. Ordinarily, in such circumstances, the party advocating clear and ordinary meaning should give examples of usage of the claim term using its “plain and ordinary” meaning to persons of skill in the art. The party might also explain why it believes the competing construction is too narrow or broad to satisfy a claim term’s ordinary meaning to persons of skill in the art. The court may elect not to further construe the term predicated upon such arguments, or it might proceed to offer a definition of what it believes the term’s “plain and ordinary” meaning would be to persons of skill in the art. In either situation, the party’s disclosures about the scope of a term’s supposed “plain and ordinary meaning” would help avoid surprises during expert discovery and at trial.

**Best Practice 41 – If the parties desire to call witnesses at the *Markman* hearing, the court should require the parties to disclose the identity of each witness (including a CV for any expert witness) and submit a report disclosing the opinions to be offered by any expert witness.**

Courts have considerable leeway in choosing how to receive extrinsic evidence pertaining to claim construction. Some courts only accept such testimony in the form of declarations and exhibits supporting the claim construction brief. Some courts prefer live testimony, as a kind of live tutorial, subject to cross-examination at the *Markman* hearing. Many courts require parties to be prepared at the case management conference to discuss the need for witness testimony at the claim construction hearing, and any limits to discovery as it relates to expert testimony and the claim construction hearing.<sup>82</sup>

Most courts also require that, in advance of the claim construction hearing, the parties identify extrinsic evidence to support their proposed claim constructions, including any expert testimony. Most jurisdictions require that with regard to expert witnesses, each party further disclose a summary of the substance or opinions to be offered by such proposed experts in sufficient detail to satisfy Rule 26(a)(2)(B) of the Federal Rules of Civil Procedure and enable a meaningful deposition, though this standard varies from jurisdiction to jurisdiction.<sup>83</sup>

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<sup>82</sup> See, e.g., N.D. Cal., Patent L.R. 2.1(a)(2) (prior to the initial case management conference, “the parties shall discuss the scope and timing of any claim construction discovery from any expert witness permitted by the court”). See also, S.D. Ca. Patent L.R. 2.1(b); E.D. Mo. Local Patent R. 2.1(d); E.D.N.C. Local Civil Rule 302.1(a)(3); W.D. N.C. P.R. 2.1 (A)(3); E.D.N.Y. LPR 2(ii); N.D. Oh. L.P.R. 2.1(a)(7); W.D. Pa LPR 2.1; S.D. Ohio Pat. R. 102.1(a)(2); E.D. Tex. P.R. 2.1(a)(5); N.D. Tex. Misc. Order 62 2.1(5); E.D. Wash. LPR 110(10) and (11); and W.D. Wash. Local Patent Rules 110(10) and (11).

<sup>83</sup> See, e.g., N.D. Cal. Patent L.R. 4.2(b) (“Along with Preliminary Claim Construction each party shall designate any supporting extrinsic evidence including testimony of expert witnesses – including a description of the substance of that witness’ proposed testimony that includes a listing of any opinions to be rendered in connection with claim construction.”). See also, S.D. Cal. Patent L.R. 4.1(b) &(c), 4.2(b); N.D. Ga. Patent L.R. 6.3); D. Idaho Loc. Patent R. 4.2(b); N.D. Ill. LPR 4.2(b); N.D. Ind. L.P.R. 4.1(b)(2) and (c)(4); E.D. Mo. Local Patent R. 4.2(b); E.D.N.C. Local Civil Rule 304.2; W.D.N.C. P.R. 4.2(b); D.N.J. L. Pat. R. 4.3; E.D.N.Y. LPR 12(a); S.D.N.Y. LPR 12(a); N.D. Oh. L.P.R. 4.2(b) & (c); S. D. Ohio Pat. R.105.2; W.D. Pa. LPR 4.3; N.D. Tex. Misc. Order 62 4.3(a) and 4.5; E.D. Tex. P.R. 4.3; S.D. Tex. P.R. 4.3(a)(92); E.D. Wash. LPR 131(b) and 132(f); and W.D. Wash. Local Patent Rules 131(b) and 132(f).

## II. Management of a Patent Trial

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### A. EXPERTS

**Best Practice 42 – *Daubert* motions should generally be decided ahead of trial either to facilitate a resolution or to enable the parties to prepare for trial in view of the court’s ruling on the motion.**

Under *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, district courts perform a “gatekeeper” function and decide whether to exclude expert testimony that does not comport with Rule 702 of the Federal Rules of Evidence.<sup>84</sup> Expert testimony plays a significant role in most patent cases, because most of the disputed issues tend to be the subject of specialized knowledge requiring expert testimony, including disputed issues concerning infringement and validity. The calculation of reasonable royalties or lost profit damages almost always requires expert testimony. Patent cases also involve issues to be considered from a hypothetical perspective, such as whether a patent claim would have been obvious to a person of ordinary skill in the art at the time the patent was filed. Patent damages under the *Georgia-Pacific* test are determined based on a hypothetical negotiation at the time infringement began.<sup>85</sup>

Given the issues addressed by expert testimony in patent cases, *Daubert* motions to exclude expert testimony generally require significant attention from the court and can have a dramatic impact on a party’s ability to prove its case.<sup>86</sup> The court should avoid, whenever possible, delaying decisions on *Daubert* motions or making *Daubert* rulings during trial. Deciding *Daubert* motions in advance of trial allows the court and parties to better allocate their resources and improves the potential for a well-organized, streamlined trial. If there is an exclusion, it may lead the parties to settle, obviating the need for a trial.

In contrast, delaying the resolution of *Daubert* motions until the eve of trial or during trial can potentially be extremely disruptive for the parties and the court. If the ruling pertains to a substantive issue for which the party proffering the expert testimony has the burden of proof, an adverse ruling will usually materially impact that party’s case presentation. Because so much of a party’s case can rest on the testimony of one or more experts, the party often will need time to adjust its trial strategy and presentation. This is not to say that the affected party should get a second chance to correct positions previously advanced by that party’s expert.

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<sup>84</sup> *Daubert*, 509 U.S. at 589 (1993) (“[U]nder the Rules the trial judge must ensure that any and all scientific testimony or evidence admitted is not only relevant, but reliable.”). Federal Rule of Evidence 702 provides:

A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if: (a) the expert’s scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue; (b) the testimony is based upon sufficient facts or data; (c) the testimony is the product of reliable principles and methods; and (d) the expert has reliably applied the principles and methods to the facts of the case.

<sup>85</sup> *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970).

<sup>86</sup> Concomitantly, resolution of a *Daubert* motion requires the court to invest significant resources, and in identifying issues to present in such a motion, parties should separate the wheat (legally insufficient facts or data, unreliable principles and methods, and unreliable application of principles and methods to the facts of the case) from the chaff (evidentiary weight, credibility of witness, and correctness of conclusions). *See generally* Fed. R. Evid. 703; *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1314 (Fed. Cir. 2014) (“[A] district court judge, acting as a gatekeeper, may exclude evidence if it is based upon unreliable principles or methods, or legally insufficient facts and data. . . . A judge must be cautious not to overstep its gatekeeping role and weigh facts, evaluate the correctness of conclusions, impose its own preferred methodology, or judge credibility, including the credibility of one expert over another.”).

However, the adversely-impacted party should be granted a fair opportunity to marshal what evidence and arguments it has remaining as best it can in light of the court's ruling.

The parties' *Daubert* briefs should explain how the exclusion of the expert testimony at issue would impact the issues to be resolved at trial, which would give the court context as to the potential consequences of its ruling. The parties' counsel should identify the issues implicated by the motion, the evidence excluded if the motion is granted, and the issues that could potentially be resolved based on how the court decides the motion.

While there is no hard and fast rule for how far ahead of trial *Daubert* motions should be decided, deciding these motions before the pretrial conference assists in streamlining the case for trial. In addition, where *Daubert* motions go to potentially dispositive issues of liability, deciding these motions ahead of or in conjunction with summary judgment motions can further promote judicial efficiency. As a general rule, the timing of these motions is that they should be early enough to provide meaningful streamlining and to avoid unfairly prejudicing a party at trial, but not so early as to invite new theories of the case.

Finally, in cases in which a magistrate judge is tasked with ruling on non-dispositive motions, the court should coordinate closely with the magistrate judge regarding any issues that could impact the timing of expert discovery and *Daubert* motions.<sup>87</sup>

**Best Practice 43 – The court should limit experts to providing trial testimony only within the scope of their expert reports and require the parties to refrain from unwarranted Rule 26 objections.**

Rule 26(a)(2)(B) of the Federal Rules of Civil Procedure requires an expert who is retained or specially employed to provide expert testimony to provide a written report that sets forth a complete statement of all opinions and the facts or data considered in forming them.<sup>88</sup> At trial, when experts opine on matters not in their expert reports, opposing counsel will usually object that the testimony is outside or “beyond the scope” of the expert report under Rule 26. Given that expert reports in patent cases tend to be long, with appendices and many exhibits, the resolution of such objections during trial can be tedious and time consuming.

The court can ameliorate the situation by providing guidance ahead of the trial on how it will address beyond-the-scope Rule 26 objections. Making the parties aware of the court's practices concerning what the court considers within the scope is recommended because the parties can then prepare accordingly, taking into

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<sup>87</sup> For an additional discussion of WG10's key recommendations regarding *Daubert* motions, see *Sedona WG10 Use of Experts Chapter*, *supra* note 62, at Sec. VIII (*Daubert* Motions).

<sup>88</sup> Federal Rule of Civil Procedure 26(a)(2)(B) provides:

(B) Witnesses Who Must Provide a Written Report. Unless otherwise stipulated or ordered by the court, this disclosure must be accompanied by a written report—prepared and signed by the witness—if the witness is one retained or specially employed to provide expert testimony in the case or one whose duties as the party's employee regularly involve giving expert testimony. The report must contain: (i) a complete statement of all opinions the witness will express and the basis and reasons for them; (ii) the facts or data considered by the witness in forming them; (iii) any exhibits that will be used to summarize or support them; (iv) the witness's qualifications, including a list of all publications authored in the previous 10 years; (v) a list of all other cases in which, during the previous 4 years, the witness testified as an expert at trial or by deposition; and (vi) a statement of the compensation to be paid for the study and testimony in the case.

account that rulings on the admissibility of expert testimony are generally governed by the law of the regional circuit.<sup>89 90</sup>

Counsel for the parties should timely raise any objections as soon as counsel becomes aware of a potential issue concerning the scope of the expert's testimony. If either of the parties believe that any disputes regarding the scope of an expert's testimony may arise during trial, then the party should make every effort to bring such issues to the court's attention so that these issues can be resolved either before trial or before the expert takes the stand. For example, if demonstrative exhibits exchanged in advance of the expert's upcoming testimony reveals a potential problem concerning the scope of the expert's testimony, counsel should raise the issue promptly with opposing counsel and if necessary with the court, ideally before the expert begins to testify. If there are a number of potential controversial issues regarding the expert's testimony, the court may consider having counsel provide a summary of the expert's testimony before the expert takes the stand so that such disputes can be addressed.

In addition, the court can implement rules that attach consequences to unworthy objections and stray expert testimony—e.g., the court can require sidebars and charge the time to the objecting party;<sup>91</sup> or, the court can allow each party a certain number of “free” objections (e.g., three), where the only consequence is the ruling on the objection; but for any objections above that number where the objection is overruled, the party will be penalized (e.g., loss of trial time). To promote expert testimony that stays within the bounds of the expert report, the court can allow each party a certain number of “free” expert digressions where an objection against the expert is sustained (e.g., three); but for any digressions beyond that the party will be penalized if the objection is sustained (e.g., loss of trial time).

## B. JURY ENGAGEMENT AND COMPREHENSION

**Best Practice 44 – The court should provide preliminary jury instructions and consider playing for the jury the video *The Patent Process: An Overview for Jurors*. Typically the jury instructions should be read and the video played after the jury is selected.**

Preliminary jury instructions in patent cases are recommended in order to give the jury a framework to decide the complex issues often present in patent cases. The Federal Judicial Center's video entitled *The Patent Process:*

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<sup>89</sup> For example, in *In re Omeprazole Patent Litig.*, 490 F. Supp. 2d 381 (S.D.N.Y. 2007), the court explained that, “evidentiary rulings concerning the admissibility of expert testimony are generally governed by regional circuit law,” although, “the determination of whether material is relevant in a patent case is governed by Federal Circuit law when the material relates to an issue of substantive patent law.” *Id.* at 400; *see also, Micro Chem., Inc. v. Lextron, Inc.*, 317 F.3d 1387, 1390–91 (Fed. Cir. 2003) (reviewing district court decision whether to admit expert testimony under Fifth Circuit law); *MobileMedia Ideas, LLC v. Apple Inc.*, 907 F. Supp. 2d 570, 599 n.12 (D. Del. 2012) (evaluating whether expert testimony was timely disclosed under Third Circuit law.); *Lucent Techs., Inc. v. Microsoft Corp.*, 837 F. Supp. 2d 1107, 1123 (S.D. Cal. 2011) (“A trial court's decision to admit expert testimony under *Daubert* follows the law of the regional circuit.”).

<sup>90</sup> For a further discussion on Working Group 10's commentary regarding scope of expert testimony, *see Sedona WG10 Use of Experts Chapter*, *supra* note 62, at Sec. VI.B. (The Scope and Supplementation of Expert Reports).

<sup>91</sup> *See Quantum World Corp. v. Dell Inc.*, No. 1:11-cv-00688-SS, ECF No. 291, at 2 (W.D. Tex. Mar. 20, 2014) (“Objections to expert witnesses, such as illustrated in these five motions, will be handled at trial. If a party wishes to make a *Daubert* objection, the Court will accommodate that party, listen to the testimony of the witness and the argument of counsel, and make a determination as to admissibility of the witness's testimony, in whole or in part. If the objection is overruled, the time taken for that process outside the presence of the jury will be subtracted from the eighteen hours of time of the objector(s). If the objection is sustained, the time taken will be subtracted from the presenter of the witness's eighteen hours of presentation.”).

*An Overview for Jurors*, if used, should be timed to coincide with and promote the jury's understanding of the issues.

To promote efficiency, the court should inform the parties ahead of trial (e.g., at the pretrial conference) about the timing and content of the preliminary jury instructions and the viewing of the video so that the parties can craft their opening statements, and possibly *voir dire* questions, accordingly. The video was designed to help jurors in patent jury trials familiarize themselves with what patents are, how they are issued, and why disputes over them arise.<sup>92</sup> Showing this video may increase the jury's level of interest in the issues and may shorten the amount of time required for preliminary jury instructions.

Where the court provides its preliminary jury instructions to the parties ahead of the trial, this further allows the parties to craft their opening statements accordingly. If parties know that the video will be shown before opening statements, their opening statements can build off of the video and avoid unnecessary repetition of information in the video. The court may choose not to play the last portion of the video, which covers legal standards for infringement and validity, if the court wishes to address these issues later in the trial or to avoid any inconsistencies with the final jury instructions. Not all courts play the video because of time constraints or because of a concern about the neutrality of the video, and some courts will play the video only if all of the parties consent. Some practitioners assert the previous version of this video overemphasizes the presumed validity of the patents issued by the United States Patent and Trademark Office.

The preliminary jury instructions are an opportunity to acquaint the jury with the basic tenets of patent law, including special terminology used in the patent context. Preliminary instructions that summarize the positions of the parties and provide the order of proof give the jury a framework to assimilate the often complex and voluminous evidence that they will hear. Preliminary jury instructions also present an opportunity to explain the important role the jury has in deciding the issues, including, where appropriate, addressing why it is within the jury's purview to decide validity even after the United States Patent and Trademark Office has issued a patent. To avoid losing juror attention, the preliminary jury instructions should be kept as short as practicable.

The timing for showing the video can vary, but it should be based on considerations of when the showing will coincide with and promote jury engagement and understanding. Showing the video immediately after the jury is empaneled works well because the information from the video is fresh in the juror's minds when preliminary jury instructions are read and opening statements made. Showing the video before opening statements allows for more streamlined opening statements that can build off of the video; on the other hand, showing it after opening statements allows jurors to watch the video after receiving greater context about the case.

The video can be shown to the jury pool, but the court should consider whether showing the video this early is optimal, since members of the jury pool do not yet know whether they will serve on the jury and may not be as engaged, and some time may elapse between their seeing the video and hearing more about the case.

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<sup>92</sup> Fed. Judicial Ctr., *The Patent Process: An Overview for Jurors*, available at [http://www.fjc.gov/public/home.nsf/autoframe?openform&url\\_l=/public/home.nsf/inavgeneral?openpage&url\\_r=/public/home.nsf/pages/557](http://www.fjc.gov/public/home.nsf/autoframe?openform&url_l=/public/home.nsf/inavgeneral?openpage&url_r=/public/home.nsf/pages/557) (last visited Feb. 8, 2015). This video, updated in November 2013, replaced the previous video entitled, *An Introduction to the Patent System*, available at <http://www.youtube.com/watch?v=-q0mLrvw1Yc> (last visited Feb. 8, 2015).

The video uses a sample patent as an illustration. The sample patent is available from the Federal Judicial Center and can be included in juror notebooks.<sup>93</sup>

**Best Practice 45 – The court should consider permitting juror notebooks and allowing jurors to take notes.**

“Involved audiences are more likely than passive audiences to care about, think about, and evaluate the content of what is presented to them.”<sup>94</sup> Permitting juror notebooks and allowing jurors to take notes are strategies for promoting and sustaining juror engagement and understanding. In complex patent cases involving numerous witnesses and patent claims, juror notebooks help organize and preserve information jurors find important.

Each juror should receive his/her own notebook, labeled with the juror’s name, and notebooks should be collected at the end of each day of trial and redistributed the next day of trial. The court should determine whether or not jurors may take their notebooks into deliberations. The contents of juror notebooks can vary, but the following are commonly included:<sup>95</sup>

- the patent(s) with the claims; but where including the patent(s) may cause confusion or otherwise not be helpful, the sample patent provided by the Federal Judicial Center may be used instead;
- the court’s claim construction;
- a glossary of terms;
- additional key exhibits and any stipulated facts to which the parties agree;

<sup>93</sup> The sample patent is available from the Federal Judicial Center, *available at* [http://www.fjc.gov/public/home.nsf/autoframe?openform&url\\_l=/public/home.nsf/inavgeneral?openpage&url\\_r=/public/home.nsf/pages/557](http://www.fjc.gov/public/home.nsf/autoframe?openform&url_l=/public/home.nsf/inavgeneral?openpage&url_r=/public/home.nsf/pages/557) (last visited Feb. 8, 2015); *see also*, *Abaxis, Inc. v. Cepheid*, No. 10-CV-2840-LHK, ECF No. 287, at 20 (N.D. Cal. Sept. 20, 2012) (Koh, J.) (Preliminary Jury Instructions) (“I will play a 17-minute video called ‘An Introduction to the Patent System.’ . . . The video uses a sample patent as an illustration. Your Jury Notebooks contain this sample patent so you can refer to it when the video discusses it.”).

<sup>94</sup> Cynthia E. Kernick, *Chapter 24: The Trial*, in AM. BAR ASS’N SECTION OF INTELLECTUAL PROPERTY LAW, PATENT LITIGATION STRATEGIES HANDBOOK 1035 (Barry L. Grossman & Gary M. Hoffman, eds., 3d ed. 2010).

<sup>95</sup> *See, e.g., id.* at 1035–36; *Abaxis*, No. 10-CV-2840-LHK, ECF No. 287, at 23 (“You will be asked to apply my definitions of these terms in this case. My definitions are in your Jury Notebooks.”); Patent Case: Jury Requirements (J. Cohn) (“1. Each juror shall have a notebook that includes a copy of the patent with relevant portions highlighted, a glossary of terms and such drawings and other papers as the parties agree. 2. The parties shall make every effort to agree upon a stipulation of facts to be placed in the juror’s notebook. 3. Three-hole punched copies of admitted exhibits may be given to the jurors for placement in their notebooks.”), *available at* <http://www.mied.uscourts.gov/pdf/Files/Cohnpatentjury.PDF> (last visited Feb. 8, 2015); *Ambato Media, LLC v. Clarion Co.*, No. 2:09-cv-242-JRG, ECF No. 373, at 8 (E.D. Tex. July 6, 2012) (Gilstrap, J.) (Preliminary Jury Instructions) (“In those notebooks you’ll see that you each have a copy of the patent . . . Also . . . you’ll see some pages listing the claim terms. . . . [T]hen over under construction, in that column, is the definition that the Court has given you to work with as regards those terms. You also have pages with witness photos and names for the witnesses. New pages for each day’s witnesses may also be added to your binder each morning before trial begins for that day.”); *Realtime Data, LLC v. MetroPCS Texas, LLC*, No. 6:10-cv-493, ECF No. 595, at 2 (E.D. Tex. Jan. 22, 2013) (Clark, J.) (Order on Limitations of Trial Time) (Juror notebooks will contain “agreements between counsel on definitions of terms, diagrams, key exhibits, timelines, etc. . . . a page for each side’s witnesses, containing a photograph of the witness (about 3” x 3”) with the witness’s name, title (or position, if employed by a party), and space for jurors to take notes . . .”).

- a listing and description of the witnesses with a photo for each witness; and
- blank pages at the end of the notebook for note taking.

The American Bar Association's *Model Case Management Orders for Patent Cases* includes these options, plus a few others.<sup>96</sup>

The notebooks can be supplemented as the trial progresses with any additional and necessary documents, such as witness pages.

Both as to juror notebooks and note taking, the court's preliminary and final jury instructions should provide guidance. For the juror notebooks, the court should review what is in them and how jurors can use the notebooks, explaining the notebooks must stay with the court at the end of each day.<sup>97</sup> The court should admonish the jurors that the notes are only aids to memory, not evidence, and that each juror must rely on his or her own independent recollection, not the notes of others.

**Best Practice 46 – The court should proceed with caution regarding allowing juror questions, which can enhance juror engagement and understanding, but which can also be time consuming, interfere with the flow of examination, and potentially create juror bias.**

There are benefits to permitting juror questions, such as promoting juror participation, helping to ensure juror comprehension of complex information and allowing counsel to focus on evidence with which the jury is grappling.<sup>98</sup> However, juror questions can interfere with the flow of witness examination and introduce

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<sup>96</sup> Am. Bar Ass'n, Special Comm. on IP Litig., *Model Case Management Orders for Patent Cases*, Model Order No. 23 (1998) [hereinafter, ABA Model Patent Case Order No. 23]:

Contents of Juror Notebooks

The parties shall jointly prepare, and counsel for plaintiff shall submit to the Court prior to jury selection, three-ring binder notebooks for each juror. Each juror notebook shall contain the following, separated by appropriate tabs; materials that have not specifically been approved by the Court may not be included:

- (a) a copy of each patent in suit;
- (b) a copy of the Court's preliminary jury instructions, if any;
- (c) a list of exhibits included in the notebook as agreed by the parties or as ordered by the Court from time to time, the list to be updated daily after approval of the update by the Court, as well as copies of (or excerpts from) the included exhibits;
- (d) stipulations of the parties, if any;
- (e) at the request of any party and with the prior approval of the Court, other material not subject to genuine dispute, which may include, for example: (1) photographs of parties, witnesses, or exhibits; (2) curricula vitae of experts; (3) lists or seating charts identifying attorneys and their respective clients; (4) a short statement of the parties' claims and defenses; (5) a glossary of terms; and (6) a chronology or timeline of events;
- (f) the court's final instructions; and
- (g) blank paper.

<sup>97</sup> See, e.g., *Ambato Media*, No. 2:09-cv-242-JRG, ECF No. 373, at 8 ("Whenever you leave each day, be sure that you leave your notebooks in the jury room.").

<sup>98</sup> See, e.g., ABA Model Patent Case Order No. 23, *supra* note 94, at 1036–37.

juror bias. The benefits of allowing juror questions should be weighed against the incremental time involved in screening and answering jury questions.

One way to reduce interference with the flow of examination is to require jurors to wait until the end of the witness's testimony before asking questions and to have the court pose the question, rather than have counsel pose the question. To eliminate juror bias, it is important for the court to screen the question, as opposed to giving counsel the option of asking the question; if counsel is given the question but does not ask it (e.g., because it goes to evidence that has been excluded by an *in limine* motion), juror bias may develop. Objections to juror questions should be entertained outside the hearing of the jury. To keep the lawyers from knowing which juror is asking which question, the court could consider having every juror return a piece of paper after every witness with any juror questions.

If juror questions are permitted, the court should so advise the parties ahead of time and may include the method for dealing with jury questions in a standing order or at the pretrial conference.<sup>99</sup> This allows the parties to account for the practice in their trial preparations, including in their budgeting of time.

**Best Practice 47 – The court should permit brief interim statements, such as witness introductions.**

Some courts allow parties to offer “interim statements” to the jury while a patent trial progresses. These statements allow counsel to summarize the evidence previously presented and to place that evidence in context with respect to what additional evidence will be presented through forthcoming witnesses. The purpose of such interim statements is to help the jury understand and remember what the evidence is. These statements are not intended to be argumentative or to take the place of opening and closing arguments. Through these statements, counsel can refresh the jury's recollection as to what a party believes are the key facts and evidence, and highlight the key testimony and other evidence that counsel wants the jury to focus on. There are a myriad number of ways that courts can manage such interim statements, including placing overall length and time limitations on their use, and requiring that such statements be given at particular times during trial (e.g., at the start of each morning).

Patent trials benefit from the “proper use of the time allowed for interim statements to quickly transition between topics, and to inform jurors about expected testimony.”<sup>100</sup> These types of statements should be short (less than a minute), not argumentative, and should occur right before the witness takes the stand.<sup>101</sup> Brief witness introductions can be especially helpful and time-saving when introducing video testimony.

**Best Practice 48 – In longer patent trials, the court should consider allowing some interim arguments.**

In some patent cases, jurors may be asked to decide numerous issues and hear testimony from many witnesses over several weeks. The more patents and claims asserted, the more products accused, and the more defendants involved, the more complex the jury's task becomes at the end of the case. In longer patent trials, the court should consider allowing some interim argument in addition to interim statements, perhaps

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<sup>99</sup> See, e.g., Patent Case: Jury Requirements, *supra* note 95 (“Jurors will be permitted to ask questions and take notes. The Court will screen the questions at the conclusion of each witness' testimony.”).

<sup>100</sup> See HERBERT F. SCHWARTZ, PATENT LAW & PRACTICE 252–58 (5th ed. 2006).

<sup>101</sup> If Fed. R. Evid. 615 is invoked by any party at trial so that fact witnesses may not hear the testimony of other fact witnesses, then the application of this rule likewise should apply to such statements.

phased by patent, so the jurors do not have to wait until the close of evidence to synthesize what they have heard.

### C. SETTING LIMITS AND OTHER MEANS TO STREAMLINE TRIAL

**Best Practice 49 – If the court has not already done so, at the final pretrial conference, the court should set time limits for trial.**

Patent cases typically involve technical subject matter and complex fact patterns that can be difficult for juries to digest. Given the concern that jurors might fail to understand key information, attorneys sometimes rely on repeated presentation of evidence in the hopes of fostering understanding and retention. Given this propensity, the court should consider exercising its power to manage trials by setting reasonable time limits.<sup>102</sup>

By setting reasonable limits, the court can encourage attorneys to distill and prioritize their arguments, thereby keeping jurors engaged. Obviously, some cases will necessitate more time than others, and the following factors are relevant in determining how much time a particular trial may require:

- the number of patents and claims at issue;
- the number of claims and defenses;
- the complexity of the technology involved; and
- the attorneys' estimates concerning time needed.

**Best Practice 50 – At the final pretrial conference, the court should limit the number of exhibits. Along with limiting the number of exhibits, the court should encourage using demonstratives and summaries under Rule 1006 of the Federal Rules of Evidence.**

Under Rule 16 of the Federal Rules of Civil Procedure, courts have the discretion to discourage wasteful pretrial activities<sup>103</sup> and can impose limits on exhibits to avoid the situation where parties identify over an excessive number of exhibits. As one district court found, where one party alone had designated 1,900 exhibits, in order to use these exhibits within the time constraints of the trial, the party “would need to have nearly 2 exhibits entered into evidence every minute of the trial,” which the court concluded “is not humanly possible.”<sup>104</sup> By imposing limits, the court promotes streamlining of the presentation of evidence and also avoids having to rule on objections to a voluminous number of exhibits that will never be used.<sup>105</sup>

<sup>102</sup> *Duquesne Light Co. v. Westinghouse Electric Corp.*, 66 F.3d 604, 609–10 (3d Cir. 1995) (“[C]ourts need not allow parties excessive time so as to turn the trial into a circus. After all, a court’s resources are finite and a court must dispose of much litigation.”).

<sup>103</sup> Rule 16(a) provides:

(a) Purposes of a Pretrial Conference. In any action, the court may order the attorneys and any unrepresented parties to appear for one or more pretrial conferences for such purposes as: (1) expediting disposition of the action; (2) establishing early and continuing control so that the case will not be protracted because of lack of management; (3) discouraging wasteful pretrial activities; (4) improving the quality of the trial through more thorough preparation; and (5) facilitating settlement.

<sup>104</sup> *Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd.*, No. 2:09-cv-290, Dkt No. 586, 4 (W.D. Pa. Oct. 24, 2012) (Fisher, J.).

<sup>105</sup> *Id.* (“In addition, the overzealous submission of exhibit lists and deposition designations has caused the Court to be inundated with unnecessary objections. This Court is not in the business of resolving hypothetical disputes as to

Several courts have imposed limitations on the number of exhibits that a party can list on an exhibit list.<sup>106</sup> To address instances where more exhibits are truly needed, the court can place the burden on the party seeking more exhibits to establish good cause therefor. The parties will rarely need to list more than two hundred exhibits, and in actuality much less than this number are typically used at trial. Where a court does not *sua sponte* impose limits on the number of trial exhibits, the parties may raise the issue at the Rule 16 pretrial conference and in related written submissions to the court.

Federal Rule of Evidence 1006 permits the use of charts and graphs to summarize the content of voluminous writings “that cannot be conveniently examined in court.”<sup>107</sup> Such evidence is particularly valuable in the context of patent cases, where jurors may have difficulty understanding the technology at issue, the prosecution history,<sup>108</sup> or relevant expert testimony. The court should remind litigants of this option and encourage the use of such aids to facilitate the jury’s examination of testimony or documents in evidence.

**Best Practice 51 – The court should consider pre-admitting exhibits, which allows the trial to flow without objections as to those exhibits and without taking time during trial to admit the exhibits one-by-one.**

A continuing problem is the habit of counsel to over-designate exhibits and objections, which should be discouraged. Pre-admitting exhibits is a practical and effective way of dealing with the volume of exhibits often involved in patent cases, with the ultimate goal of keeping this procedural task from taking up time during the trial itself. The court may set a schedule whereby the parties exchange exhibit lists and objections, and then meet and confer to identify joint exhibits and resolve as many objections as possible. As part of this joint exchange, courts may want to also impose case management rules about how the submissions and objections will be received and ruled upon, in order to limit the number of submissions made. For instance, courts may want to set rules whereby any exhibits that are never discussed at trial will be withdrawn, and not

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exhibits and deposition designations that the parties have no real intent to actually offer at trial and in fact could not actually be presented as a practical matter given the time restrictions.”).

<sup>106</sup> See, e.g., *Abaxis, Inc. v. Cepheid*, No. 10-CV-2840-LHK, ECF No. 278, at 2 (N.D. Cal. Sept. 17, 2012) (Koh, J.) (“The Court ordered the parties to reduce their exhibit lists to 250 exhibits per side.”); *SimpleAir, Inc. v. AWS Convergence Techs., Inc.*, No. 2:09-cv-289, ECF No. 505, at 5 (E.D. Tex. April 3, 2012) (Schneider, J.) (“In light of the parties’ disregard of the Court’s previous order, and in light of the above rulings, the Court ORDERS the parties to refile compliant exhibit and deposition designation lists. Exhibit lists are limited to no more than 200 exhibits per party. Deposition designations are limited to a total of ten (10) hours of testimony per party.”); *Genentech, Inc. v. Trustees of the Univ. of Penn.*, No. 10-CV-02037-LHK, ECF No. 652, at 4 (C.D. Cal. May 31, 2012) (Koh, J.) (Pretrial Conference Order) (“[T]he parties shall file revised exhibit lists, which shall be limited to no more than 125 exhibits per side. . . . Parties must demonstrate good cause to use or seek to admit any exhibit during trial that is not on the parties’ list of 125 exhibits.”).

<sup>107</sup> However, litigants must remember that “[t]he materials or documents on which a Rule 1006 exhibit is based must be made available for ‘examination or copying . . . by other parties at [a] reasonable time and place,’ but need not be admitted into evidence. If they are not introduced, however, those materials or documents must be admissible under the Federal Rules of Evidence. In other words, Rule 1006 is not a back-door vehicle for the introduction of evidence which is otherwise inadmissible.” *Peat, Inc. v. Vanguard Research, Inc.*, 378 F.3d 1154, 1160 (11th Cir. 2004) (citing J. McLAUGHLIN, J. WEINSTEIN, & M. BERGER, 6 WEINSTEIN’S FEDERAL EVIDENCE § 1006.03[3] (2d ed. 2004) (“Charts, summaries, and calculations are only admissible when based on original or duplicate materials that are themselves admissible evidence.”); C.A. WRIGHT & V.J. GOLD, 31 FEDERAL PRACTICE AND PROCEDURE § 8043, at 527 (2000) (“Rule 1006 evidence may also be excluded where the source materials are inadmissible hearsay or even where just some parts of those materials are inadmissible hearsay.”)).

<sup>108</sup> See, e.g., *Ford Motor Co. v. Lemelson*, Nos. CV-N-92-613-LDG(PHA), CV-N-92-545-LDG(PHA), 1995 WL 628330, at \*10 n.18 (D. Nev. June 16, 1995) (discussing approvingly of a color coded chart summarizing and illustrating the prosecution history, in a case with a “tedious and lengthy genealogy” of patent claims).

presented to the jury during deliberations. Any objections to such exhibits will then also be moot. In order to limit additional objections, courts may allow the parties to designate any exhibits for an exhibit list, but limit the number of objections that parties can make immediately, reserving rulings on all others until the exhibit actually is introduced.

Following their meeting, the parties then should jointly submit a list of exhibits as to which there is no dispute and separate lists with exhibits and remaining objections (subject to any limits on the number of objections the court will receive initially). The timing for pre-admitting exhibits and ruling on the objections varies, with some courts preferring to pre-admit all the exhibits and rule on all objections at once, possibly setting aside an entire day before trial begins, and with other courts preferring to admit exhibits and rule on objections on a daily basis, possibly in the mornings before the jurors arrive.

## D. BIFURCATION AND WILLFULNESS AT TRIAL

### 1. Preliminary Statements Regarding Bifurcation

**Best Practice 52 – At the final pretrial conference, the court should consider whether bifurcation of certain issues or claims will expedite trial and promote the jury’s ability to digest the facts of the case.**

As the Federal Circuit noted in *Bosch*, “[d]istrict court judges, of course, are best positioned to make th[e] determination [of bifurcation] on a case-by-case basis.”<sup>109</sup> Given that the issues of liability and damages are often disparately complex in patent cases, bifurcation has become more common.<sup>110</sup> In fact, for some courts or judges, bifurcation is not the exception but the rule.<sup>111</sup> In a case with a straightforward damages theory but complex technology, it may make sense to address the issue of liability alone so that the parties and the jury can focus on and understand the question of liability. The same may hold true where serious questions as to patent validity exist. Similarly, sorting out damages in a case involving numerous parties and accused products may be particularly challenging, and a jury may perform more effectively if it is asked to evaluate only one issue at a time.

Alternatively, courts must consider the potential efficiency gains of handling the issues of liability and damages together. For instance, where evidence relating to both liability and damages will come from the same sources, bifurcation may be inadvisable. Courts must also consider how a decision to bifurcate will impact discovery, which may be similarly bifurcated or held to a single schedule.<sup>112</sup>

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<sup>109</sup> *Robert Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1319–20 (Fed. Cir. 2013) (en banc).

<sup>110</sup> However, some judges have expressed concerns about the impact bifurcation and subsequent appeals may have on patent litigants. See *Fresenius USA, Inc. v. Baxter*, 733 F.3d 1369, 1381 (Fed. Cir. Nov. 5, 2013) (O’Malley, J., dissenting) (cautioning that incentives created under *Bosch* to bifurcate liability from damages will lead courts “to try to limit the time and resources spent on patent cases by seeking an interlocutory review of their claim construction and liability determinations,” and that this will generally “drag out the litigation, causing multiple appeals and probably multiple remands”).

<sup>111</sup> See, e.g., J. Robinson (D. Del.), Patent Case Scheduling Order ¶ 3 (“The issues of willfulness and damages shall be bifurcated for purposes of discovery and trial, unless good cause is shown otherwise.”).

<sup>112</sup> For a discussion of Working Group 10’s recommended best practices regarding the bifurcation of discovery (as contrasted to just trial), see *Sedona WG10 Discovery Chapter*, *supra* note 30, at Sec. V. (Bifurcation or Staging of Discovery).

## 2. Preliminary Statements Regarding Willfulness

### **Best Practice 53 – The court should rule on the objective prong for willfulness before trial if the conclusion is obvious and clear.**

The objective standard for willful infringement is the first prong of the two-prong *Seagate* test developed by the Federal Circuit.<sup>113</sup> The *Seagate* test requires a patent holder charging willful infringement to prove: (1) the accused infringer took action in the face of “an objectively high likelihood” that such action constituted infringement; and (2) the “objectively-defined risk . . . was either known or so obvious that it should have been known” to the alleged infringer.<sup>114</sup> While the ultimate determination of willfulness has traditionally been treated as a question of fact, the Federal Circuit decided in *Bard* to classify the objective prong’s recklessness determination as a question of law subject to *de novo* review.<sup>115</sup> According to the *Bard* court, judges are “in the best position for making the determination of reasonableness,” so while the jury may determine underlying facts, the ultimate objective assessment of whether a reasonable person would have perceived a high likelihood of infringement of a valid patent is exclusively the domain of the court.<sup>116</sup>

From a judicial standpoint, the *Bard* holding puts more responsibility on the bench, with a substantial factor contributing to enhanced damages now in the judge’s hands. This may strain judicial economy, with judges required to take a closer look at issues once at least partly within the purview of the jury. However, it also provides judges with more control with respect to keeping the willfulness question away from the jury.

Since *Bard* did not specify a time at which the objective prong determination must be made, courts (and litigants) have dealt with the issue at varying points during litigation based on the facts of each case.

Because the objective prong must ultimately be decided by the judge, courts may be inclined to actively evaluate claims of willful infringement before trial. If claims can be resolved early, it will help parties evaluate the potential damages at stake, which will in turn help guide the litigation strategy before trial. It will also narrow the issues and preclude potentially prejudicial evidence on trivial claims going to the jury. The procedural vehicle to do so has typically been at the summary judgment stage. Courts have used summary judgment to dispose of the willfulness issue where the facts seemed clear on the lack of objective willfulness.

We note that some commentators have suggested a *Markman*-like objective willfulness prong hearing; however few judges appear to have embraced or implemented such a practice. In fact, the issue seems to be supported more in theory than in practical application.

### **Best Practice 54 – The court should hear and weigh all the evidence of willfulness during the jury trial in significantly contested cases.**

Courts that have not addressed a willfulness claim before trial have implemented various approaches during trial, such as: (a) hearing evidence and submitting jury instructions on the subjective prong, such that if the jury finds no subjective willfulness, then there may be no need for the court to rule on the objective prong, but if the jury finds subjective willfulness, then the court decides the objective prong;<sup>117</sup> (b) hearing evidence

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<sup>113</sup> *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).

<sup>114</sup> *Id.* at 1371.

<sup>115</sup> *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.*, 682 F.3d 1003, 1006–07 (Fed. Cir. 2012).

<sup>116</sup> *Id.* at 1006–07.

<sup>117</sup> One district court explained its rationale for hearing the evidence first and then determining the objective prong: “The Court concludes that only by its consideration of trial evidence can it make the ‘objective reasonableness’

and making a determination on Rule 50 motions; (c) hearing evidence and deciding the objective prong just prior to jury instructions, and if the objective prong is met, submitting jury instructions on the subjective prong; and (d) hearing evidence and submitting special interrogatories to the jury on issues of fact related to objective recklessness, while reserving for the court the ultimate question of law (objective prong), such that if there is a jury verdict of infringement of a valid patent, then the court decides the objective prong with the input of the special interrogatories, and after the court's decision on the objective prong, if appropriate, the jury considers the subjective prong.

Because facts and issues vary widely from case to case, there is no one-size-fits-all solution. But dividing cases into two categories—close calls and clear-cut cases—allows courts the requisite flexibility to make the best decision on objective willfulness whenever the issue is presented.

## E. JURY VERDICT FORMS

Pursuant to Rule 49 of the Federal Rules of Civil Procedure, “the court may submit to the jury forms for a general verdict, together with written questions on one or more issues of fact that the jury must decide.” When the general verdict and answers are consistent, the court must approve for entry, under Rule 58 of the Federal Rules of Civil Procedure, an appropriate judgment on the verdict and answers. If the answers are inconsistent with each other or with the general verdict, the court “must direct the jury to further consider its answers and verdict, or must order a new trial.”<sup>118</sup> Accordingly, it is important to provide to the jury a verdict form that avoids jury confusion and results in a consistent verdict.

Avoiding jury confusion and achieving a consistent verdict is especially important in technically complex patent trials, which often involve multiple patents, asserted claims, and prior art references. The following best practices will help ensure that verdict forms in patent cases avoid jury confusion and are consistent. Verdict forms should, however, be tailored to the specific facts and circumstances of each case.

### **Best Practice 55 – Each verdict form question should include a citation to the jury instruction corresponding to that question.**

In addition to a general introductory statement in the verdict form that the jury should refer to the jury instructions for guidance on the applicable law, parties should agree on the inclusion in each verdict form question of a citation to the jury instruction corresponding to that question. This will help to ensure that the jury applies the applicable law to the facts in the case and can assist in minimizing disputes raised in posttrial motions.

For example:

Did the Plaintiff prove by a preponderance of the evidence that the Defendant infringed claim 1 of U.S. Patent No. 1,234,567? (For the court's instructions on direct infringement, see page \_\_\_ of the Jury Instructions.).

### **Best Practice 56 – Each verdict form question should include the applicable burden of proof.**

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finding necessary to the Defendant's arguments.” *Grant Street Group, Inc. v. Realauction.com, LLC*, No. 2:09-cv-01407, 2013 WL 2404074, at \*4 (May 31, 2013 W.D. Pa).

<sup>118</sup> Fed. R. Civ. P. 49.

Parties should negotiate the inclusion of the applicable burden of proof in each verdict form question, and the court should resolve any disputes regarding the applicable burden of proof. This will help to ensure that the jury applies the proper burden of proof and can assist in minimizing disputes raised in posttrial motions.

For example:

Did the Plaintiff prove by a preponderance of the evidence that the Defendant infringed the following asserted claims of each patent-in-suit?; or

Did the Defendant prove by clear and convincing evidence that any of the following claims are invalid as obvious?

**1. For Infringement**

**Best Practice 57 – Verdict forms should include questions as to whether each accused product infringes each asserted patent claim, either directly or indirectly.**

**Best Practice 58 – Verdict forms should not include separate questions on literal infringement, infringement under the doctrine of equivalents, induced infringement, or contributory infringement.**

Parties should negotiate verdict forms that include certain questions (e.g., whether each accused product infringes each asserted patent claim) and exclude certain questions (e.g., separate questions on literal infringement, infringement under the doctrine of equivalents, induced infringement, or contributory infringement), and the court should resolve any disputes regarding these issues. To the extent such detail is deemed necessary, a chart format is recommended.

For example:

	Literal Infringement		Infringement under the Doctrine of Equivalents	
Who Must Prove	Plaintiff			
Burden of Proof	Preponderance of the evidence			
	Not infringed	Infringed	Not infringed	Infringed
<b>U.S. Patent No. x,xxx,xxx</b>				
Claim 1		✓		
Claim 2				✓

The potential advantage of obtaining separate infringement findings on each type of infringement is that it may help to limit issues on appeal. However, this advantage may be substantially outweighed by the possibility of confusing the jury with a complex verdict form. Therefore, courts and litigants should take these factors into consideration in determining how much detail to include in infringement questions.

For example:

For Product X, did the Plaintiff prove by a preponderance of the evidence that the Defendant infringed the following asserted claims of each patent-in-suit? *versus*:

1. For Product X, did the Plaintiff prove by a preponderance of the evidence that the Defendant literally infringed the following asserted claims of each patent-in-suit?;
2. For Product X, did the Plaintiff prove by a preponderance of the evidence that the Defendant infringed the following asserted claims of each patent-in-suit under the doctrine of equivalents?;
3. For Product X, did the Plaintiff prove by a preponderance of the evidence that the Defendant induced infringement of the following asserted claims of each patent-in-suit? *or*
4. For Product X, did the Plaintiff prove by a preponderance of the evidence that the Defendant contributed to the infringement of the following asserted claims of each patent-in-suit?

## 2. For Obviousness

**Best Practice 59 – Verdict forms should include questions as to whether each asserted patent claim is obvious.**

**Best Practice 60 – Verdict forms should not include every possible permutation of prior art references or possible defense.**

Parties should negotiate the inclusion in verdict forms of questions as to whether each asserted patent claim is obvious. Verdict forms, however, should not include questions regarding the following:

- questions that require the jury to separately address each prior art reference or combination of references;
- questions that require the jury to separately address other factors involved in the obviousness determination (e.g., the level of ordinary skill in the art at the time of the invention, the scope and content of the prior art, the differences between the claimed invention and the prior art, whether the defendant demonstrated a motivation to combine references, or whether the defendant demonstrated a reasonable expectation of success in combining references); or
- questions that require the jury to separately address whether each specific secondary consideration of non-obviousness (e.g., commercial success, long felt need, failure by others, copying, unexpected results, licensing, skepticism, etc.) supports non-obviousness of the patent.

For example:

Did the Defendant prove by clear and convincing evidence that any of the following claims are invalid as obvious? *versus*:

1. Did the Defendant prove by clear and convincing evidence that any of the following claims are invalid as obvious over any of the following prior art references, taken alone or in combination?;
2. Did the Defendant prove by clear and convincing evidence that there was motivation for a person of ordinary skill in the art at the time of the invention to combine the following references?; or

3. Indicate which of the secondary considerations of non-obviousness the Plaintiffs have proven by a preponderance of the evidence are present in this case and support non-obviousness of the patent.

The potential advantage of obtaining separate obviousness findings is that it may serve to limit issues posttrial and on appeal when the court determines obviousness as a matter of law. It may also focus the jury on the obviousness analysis to prevent irrelevant bias for one side or the other, or hindsight bias for inventions that may appear obvious after the fact. However, this advantage may be substantially outweighed by the possibility of confusing the jury with a complex verdict form.

Courts and litigants should take these factors into consideration in determining how much detail to include in obviousness questions. On the one hand, a litigant asserting one or two specific prior art combinations that render obvious a small set of claims may be able to ask specific interrogatories of the jury without a lengthy multi-page jury verdict form on obviousness; for example, questions directed at what claim elements a prior art reference discloses. However, presenting more than a few combinations to a jury for multiple claims may lead to, rather than avoid, confusion.

One potential compromise between a limited and expansive obviousness verdict form is to focus questions on the *Graham v. John Deere* analysis<sup>119</sup> as adopted by the Northern District of California. In the Northern District of California Model Jury Instructions and Verdict Form, the court proposes asking the jury to choose between the parties' contentions for (1) the level of skill the art, (2) what the prior art discloses, (3) the differences in the art, and (4) the secondary considerations proven. The jury can also be asked for an advisory verdict of obviousness, but ultimately the court would decide obviousness based on these findings.

On balance, Best Practice 59, identified above, is the recommended approach.

**Best Practice 61 – Verdict forms should direct the jury to skip questions where appropriate.**

Parties should negotiate verdict forms that direct the jury to skip questions where appropriate; for example, questions relating to dependent claims when certain answers are given to the corresponding independent claims. Directing the jury to skip questions, where appropriate, will help to minimize confusion, simplify the process and minimize the risk of inconsistent verdicts.

For example:

For Product X, did the Plaintiff prove by a preponderance of the evidence that the Defendant literally infringed the following asserted claims of each patent-in-suit?

*Please check YES or NO.*

Claim 1: YES \_\_\_ NO: \_\_\_

*If you answered NO, please skip to question number 3.*

## **F. JURY INSTRUCTIONS ON OBVIOUSNESS**

The best practices described herein are directed toward parties drafting and submitting proposed jury instructions on obviousness to the court.

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<sup>119</sup> *Graham v. John Deere Co.*, 383 US 1 (1966).

**Best Practice 62 – Jury instructions on obviousness should clearly explain the factual questions to be decided by the jury. Should the court decide to make the ultimate determination on obviousness itself, the instructions should convey to the jury that the court’s determination depends upon the jury’s factual findings.**

Obviousness instructions can be lengthy and complicated, thereby risking confusion for the jury. It is therefore important to lay out upfront the determinations that the jury has to make, including whether the court is submitting the ultimate determination on obviousness to the jury.

For example, if the court is submitting only the underlying factual questions to the jury, the instructions may include a statement to inform the jury that the court has the responsibility of determining whether the patent claims are obvious based on their determination of several factual questions. This will inform the jury as to the reason for the questions being submitted to them.

**Best Practice 63 – The jury instructions should identify the burden of proof required to make a showing of obviousness.**

The jury instructions should identify the burden of proof required to make a showing of obviousness. For example, where the court submits the obviousness question to the jury, the instructions may include a statement similar to the following:

The alleged infringer must prove by clear and convincing evidence (i.e., that it is highly probable) that the claimed invention was obvious.

**Best Practice 64 – The jury instructions should describe the relevant factors involved in the obviousness determination in some detail depending upon the nature and scope of disputes that remain between the parties.**

Only the factual issues that are disputed need be instructed on and submitted to the jury. For example, if the only dispute between the parties is whether the prior art is different from the claimed invention, that is the only factor the jury should be instructed on and the only question presented to them.

Each of the factors should be described in relevant detail so as to allow the jury to appreciate the importance of considering all four factors in making the obviousness determination. For example, as discussed below, the instruction relating to the level of ordinary skill in the field of the invention should explain the various factors the jury can consider in determining the requisite level of skill.

**Best Practice 65 – The jury instructions should specifically identify each prior art reference or combination of references that is being asserted to invalidate each of the claims under obviousness, as well as the details of the dispute, if any, surrounding each reference or combination. To the extent possible, only a limited number of asserted combinations should be submitted to the jury. The instructions should provide some guidance on what the jury may consider to be reasonably related art.**

The parties may dispute various factual issues, such as whether a reference was publicly available on a given date. It is important for the jury instructions to highlight to the jury that these are preliminary issues that need to be resolved before the jury can address whether the elements of a given claim are disclosed in the prior art reference.

The instructions should also inform the jury that prior art is not limited to the references at issue, but also includes the general knowledge that would have been available to one of ordinary skill in the field of the invention.

The instructions could include a brief description of what the jury may consider pertinent or analogous art. For example, an instruction similar to the following may be helpful:

Pertinent, or analogous prior art is defined by the nature of the problem solved by the invention. It includes prior art in the same field of endeavor as the claimed invention, regardless of the problem addressed by the reference, and prior art from different fields reasonably pertinent to the particular problem with which the claimed invention is concerned.

**Best Practice 66 – With regard to the level of ordinary skill in the art at the time of the invention, the jury instructions should provide guidance on the factors that can be considered in making this determination.**

With regard to the level of ordinary skill in the art at the time of the invention, the instructions should provide guidance on the factors that can be considered in making this determination. For example, the instruction could include factors such as (1) the levels of education and experience of persons working in the field; (2) the types of problems encountered in the field; and (3) the sophistication of the technology of the claimed invention.

**Best Practice 67 – With regard to the differences between the claimed invention and the prior art, the parties should try to come to agreement on what differences are considered relevant, and to the extent that the parties agree, the jury instructions should provide some guidance on the relevant differences to be considered and the importance of comparing these differences in context of the invention as a whole, not merely portions of it.**

It is important to highlight to the jury that most inventions rely on building blocks of prior art and, out of necessity, will be combinations of what, in some sense, is already known. The significance of any difference between the claimed invention and the prior art should be determined from the perspective of a person of ordinary skill in the art at the time of the invention, ignoring what is learned from the teaching of the patent itself.

**Best Practice 68 – With regard to secondary considerations, the jury instructions should briefly describe each factor that is in dispute, preferably grouping them by factors that tend to show obviousness and those that tend to show nonobviousness. It is also important to highlight the importance of a sufficient nexus between this evidence and the claimed invention, and that no factor alone is dispositive.**

The jury instructions should inform the jury that although they should consider any evidence of these objective factors, the relevance and importance of any of these factors to their decision on whether the claimed invention would have been obvious, is up to them.

The instructions should caution the jury on common mistakes that one may make in considering each of these factors. For example, in discussing commercial success, the instructions could explain that the jury should consider whether the invention was commercially successful as a result of the merits of the claimed invention rather than as a result of design needs or other activities such as advertising, market demand, etc.

**Best Practice 69 – To the extent the verdict form contains separate questions on each of the obviousness factors, the jury instructions should make clear the connection between the instructions being provided and the question(s) to which they relate.**

To the extent the verdict form contains separate questions on each of the obviousness factors, the instructions should alert the jury about the correlation between the instructions being provided and the question to which they relate. This helps avoid confusion about the correlation between the different factors/issues to be considered and the questions to be answered by the jury. The jury instructions should be organized in the same structure as the verdict form, with section and paragraph numbers for the instructions corresponding to question numbers on the verdict form. Ideally, the jury should be provided with a copy of the jury instructions to use during their deliberations.

**Best Practice 70 – Where the court submits the ultimate determination of obviousness to the jury, the jury instructions should provide guidance on how that determination should be made.**

The instructions need to provide explanations of the terms and the balance between a patentable invention on one hand and the mere application of common sense and ordinary skill to solve a problem on the other. The jury should be instructed on the importance of viewing the claimed invention from the perspective of the person of ordinary skill in the art at the time the invention was made. It is also important to warn the jury against using hindsight in making an obviousness determination.

The court can provide guidance to the jury by listing specific questions that the jury may consider in making the obviousness determination:

- whether the alleged infringer has identified a reason that would have prompted a person of ordinary skill in the field of the invention to combine the requirements or concepts from the prior art in the same way as in the claimed invention;
- whether the claimed invention applies a known technique that had been used to improve a similar device or method in a similar way; and
- whether the claimed invention would have been obvious to try, meaning that the claimed innovation was one of a relatively small number of possible approaches to the problem with a reasonable expectation of success by those skilled in the art.

## **G. EXCEPTIONAL CASE DETERMINATIONS**

The Supreme Court's recent decisions regarding the standard of proving an exceptional case under 35 U.S.C. § 285 in *Octane Fitness* and *Highmark* will result in more motions for attorney's fees in patent litigation.<sup>120</sup> The Court's decision to lower the standard and burden of proving an exceptional case present new challenges for district courts and litigants. These challenges include:

- whether and when parties should plead requests for an exceptional case determination;
- what discovery parties should receive in connection with requests for an exceptional case determination, and when that discovery should take place;

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<sup>120</sup> *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, \_\_\_ U.S. \_\_\_, 134 S.Ct. 1749 (Apr. 29, 2014); *Highmark, Inc. v. AllcareHealth Management System, Inc.*, \_\_\_ U.S. \_\_\_, 134 S.Ct. 1744 (Apr. 29, 2014).

- when parties should make motions for an exceptional case;
- what evidence litigants should present and district courts should consider in connection with motions for attorney fees under § 285;
- whether a portion of a case may be deemed exceptional for an award of partial attorney's fees;
- whether cases may be determined to be exceptional from a specific point in time of the litigation onward; and,
- whether success or contingency fees should be recoverable.

Working Group 10 intends to consider these issues and propose Best Practices to guide the bench and bar on when and how to determine whether a case is exceptional after the group has had an opportunity to consider these issues in more detail.<sup>121</sup>

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<sup>121</sup> Working Group 9 has proposed substantive proposals for determining when a case is exceptional. These proposals were made before the Court's *Octane* and *Highmark* decisions. See *Sedona WG9 Patent Damages Commentary*, *supra* note 28, at Sec. V.C. (Attorney's Fees and Fee Shifting).

## *Appendix: The Sedona Conference Working Group Series & WGS Membership Program*

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**“DIALOGUE  
DESIGNED  
TO MOVE  
THE LAW  
FORWARD  
IN A  
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AND JUST  
WAY.”**

The Sedona Conference Working Group Series (“WGS”) was established to pursue in-depth study of tipping point issues in the areas of antitrust law, complex litigation, and intellectual property rights. It represents the evolution of The Sedona Conference from a forum for advanced dialogue to an open think tank confronting some of the most challenging issues faced by our legal system today.

A Sedona Working Group is formed to create principles, guidelines, best practices, or other commentaries designed to be of immediate benefit to the bench and bar and to move the law forward in a reasoned and just way. Working Group output, when complete, is then put through a peer review process involving members of the entire Working Group Series including—where possible—critique at one of our regular season conferences, resulting in authoritative, meaningful and balanced final commentaries for publication and distribution.

The first Working Group was convened in October 2002 and was dedicated to the development of guidelines for electronic document retention and production. The impact of its first draft publication—The Sedona Principles: Best Practices Recommendations & Principles Addressing Electronic Document Production (March 2003 version)—was immediate and substantial. The Principles was cited in the Judicial Conference of the United States Advisory Committee on Civil Rules Discovery Subcommittee Report on Electronic Discovery less than a month after the publication of the “public comment” draft, and was cited in a seminal e-discovery decision of the United States District Court in New York less than a month after that. As noted in the June 2003 issue of *Pike & Fischer’s Digital Discovery and E-Evidence*, “The Principles ... influence is already becoming evident.”

The WGS Membership Program was established to provide a vehicle to allow any interested jurist, attorney, academic, consultant or expert to participate in WGS activities. Membership provides access to advance drafts of WGS output with the opportunity for early input, and discussion forums where current news and other matters of interest can be discussed. Members may also indicate their willingness to volunteer for brainstorming groups and drafting teams.

Visit the “Working Group Series” area of our website, [www.thesedonaconference.org](http://www.thesedonaconference.org) for further details on our Working Group Series and WGS membership.

The Sedona Conference was founded in 1997 by Richard Braman in pursuit of his vision to move the law forward in a reasoned and just way. Richard’s personal principles and beliefs became the guiding principles for The Sedona Conference: professionalism, civility, an open mind, respect for the beliefs of others, thoughtfulness, reflection, and a belief in a process based on civilized dialogue, not debate. Under Richard’s guidance, The Sedona Conference attracted leading jurists, attorneys, academics and experts who support the mission of the organization by their participation in WGS and contribute to moving the law forward in a reasoned and just way. After a long and courageous battle with cancer, Richard passed away on June 9, 2014, but not before seeing The Sedona Conference grow into the leading nonpartisan, nonprofit research and educational institute dedicated to the advanced study of law and policy in the areas of complex litigation, antitrust law, and intellectual property rights.