

Managing Discovery In Patent Cases: Best Practices

Law 360, New York (February 9, 2009) — An appointment as Discovery Special Master in a multidistrict litigation of about 100 patent actions in the Central District of California demonstrated that managing discovery in patent litigation requires specialized best practices to cope with unusual challenges:

- the volume of material, virtually all in electronic form;
- the tenaciousness of counsel; striking the right balance between traditional written discovery and expert opinions;
- the scheduling pressures, driven by court-imposed deadlines for claim construction and summary adjudication;
- privilege disputes complicated by waiver issues peculiar to patent law; scheduling discovery for dozens of experts.

This article will briefly outline some “best practices” for a Discovery Special Master in complex patent litigation.

1. Know the Law

A discovery master should be comfortable with recurring patent issues — infringement (direct and indirect), invalidity (prior art, anticipation, obviousness), unenforceability (inequitable conduct, prosecution laches), estoppel, waiver, willfulness, damages — because the scope of discovery is framed by the elements of these claims and defenses.

Privilege claims will be dramatically impacted by a party’s reliance on advice of counsel. The parties should provide the master with a binder of material and important case law on the key issues in the particular case.

2. Know the Technology

A discovery master should be a “quick study” about the patented technology and be sensitive to the legal significance of minor differences in design or function. A joint in-person tutorial of a half or full day, with a binder of key materials to refer to as the case evolves, will bring the discovery Master up to speed.

3. Work With Lead Counsel

In a multi-action MDL proceeding there will typically be one or more lead counsel for both plaintiff and defendant(s). Lead counsel will normally have the resources to help the discovery master communicate with all counsel, distribute orders, schedule hearings and allocate the master’s billings

among appropriate parties. If lead counsel have not been appointed in a multi-party case, the master should ask the court to appoint them.

4. Issue Clear Procedural Guidelines

A discovery master should strive to save the parties more money through focused, efficient, collaborative discovery than they pay the master.

The first step is to issue a discovery management order that instructs counsel about: how to file papers with the Master (electronically or hard copy); briefing time limits and page lengths; how to request a hearing date; whether the master will decide matters informally, with limited or no briefing; how to raise very urgent issues that arise suddenly during a conference call or deposition.

5. Enter a Discovery Case Management Order

If the court has not already done so, the discovery master should work with counsel and the court to develop, within the context of the local patent rules, a protocol for the scope and timing of all discovery. Some important issues to be considered in framing such an order are:

- Define the Accused Systems, Products or Services. If the case involves many accused devices or processes, consider requiring the parties to agree on representative examples for purposes of discovery.
- Require parties to produce “Core Discovery” at the outset without discovery requests.

Core Discovery might include: design documents, physical location of relevant material, manuals, data on usage of the product in question, data on alleged cost savings, organizational charts for each party, prior art, license agreements and communications, prior royalties paid, documents about conception and reduction to practice, and other relevant non-privileged communications.

- Require discovery to be coordinated to minimize duplication. Will each defendant have access to all discovery produced by the others, subject to the protective order?
- Impose presumptive limits, both as to scope and length, on written discovery and depositions.
- If local patent rules do not already require this, set deadlines and rules for infringement and invalidity contentions.
- Prescribe an e-discovery protocol.
- Set a deadline for disclosure of any opinion of counsel that will be relied upon in defense of a claim of willful infringement.

6. Develop a Protocol for Third-Party Discovery

Non-party consultants and contractors often possess critical information about product design and operation. Subpoenas to such third parties will generate objections based on confidentiality and undue burden.

Multiple parties may subpoena material from the same third party who will rightly protest the undue burden. The master should consider requiring parties to: identify third parties that possess relevant information; direct each party to authorize its consultants or contractors to comply with subpoenas; combine subpoenas to the same third party.

A master appointed by an MDL-transferee court is empowered to regulate depositions of out-of-state non-parties [28 U.S.C. §1407(b)], and is generally held to be authorized to rule on all aspects of an extra-district subpoena [U.S. ex rel Pogue v. Diabetes Treatment Centers of Am. Inc., 444 F.3d 462, 468-469, fn. 4 (6th Cir. 2006); In re Neurontin, etc., Litigation, 245 F.R.D. 55 (D. Mass. 2007)].

7. Resolve Chicken-Or-Egg Arguments

Patent cases often involve reciprocal, overlapping issues on which the parties are entitled to know each other's contentions and supporting evidence. But in what order, and in what detail at each stage of the case?

For example, the patent holder serves an interrogatory asking why the other party contends its product does not infringe. The responding party refuses to provide its contentions as to non-infringement until the patent holder has stated its contentions as to infringement.

Sometimes these disputes can be resolved based on the burden of proof; often local patent rules will require the patent holder to state its infringement contentions at the outset. And yet, these arguments recur incessantly.

A good default rule is that the patent holder should go first with its infringement contentions, but even if this occurs the other side is likely to argue that the patent holder's response was not sufficiently specific.

So that such arguments do not stall discovery, the master should normally require the alleged infringer to respond — and then supplement its response as it learns more detail about the infringement contentions.

8. Be Familiar With Recurring Patent Issues

- How specifically must the patentee identify the allegedly infringing product, mechanism or service? How locked in should patentees be to their preliminary infringement contentions?

Alleged infringers need specificity to focus their investigation and discovery; the patentee needs flexibility to amend its identification as it learns more about the other side's structure and business.

- Who possesses the source code? Has the code been fully produced? How many versions must be produced? Is special software required to read the code in the most useful format?
- In deciding privilege issues, a Master should avoid one-size-fits-all rulings. The scope of any waiver (e.g., for what period of time, as to communications with whom, as to what patents or their progeny) should track the purpose of the communication that gave rise to the waiver.

The communication to a non-client of a privileged conversation 25 years ago about Patent A needn't necessarily waive the privilege as to all communications at any time about related Patents A-1, A-2 and A-3.

In addressing purported common interest or joint defense protection the master needs to be precise about whether parties have produced actual evidence of a "common interest" that is legally sufficient in the relevant jurisdiction.

- Interrogatory responses that are sprinkled with evasive terms like "for example" and "e.g." are suspect. A responding party will often lack complete knowledge of the basis for its contentions, that will be in later discovery or from experts.

But the propounding party is entitled to know without equivocation what the responding party knows when it replies. So a response should clearly say in so many words, "Here's the evidence I have now. I don't know any more at this time. When I learn more, I'll supplement my answer."

10. Help Counsel Focus Written Discovery

How much fact discovery is appropriate in cases that are so largely dependent on expert opinions? Does it make sense to require a party to details its contentions in 100 pages of lawyer-generated verbiage, or can clarification fairly await an expert report and ensuing deposition? A master, working with the appointing judge, can help counsel find a fair balance.

11. Develop a Protocol for Rule 30(b)(6) Depositions

A deposition of an entity pursuant to Federal Rule 30(b)(6) is both an invaluable tool and a ready weapon to inflict pain. Consider the burden on a national corporation with multiple facilities to prepare for a 30(b)(6) deposition on 25 or more broad topics.

A legally adequate response might require a dozen witnesses, and the retrieval and review of thousands of potential exhibits. At the deposition the examining counsel may spend 90 percent of the time on only four of the 25 topics, decide not to examine two of the designated witnesses at all, and offer as exhibits only 50 of the thousands of potentially pertinent documents.

A master should develop with counsel's input a protocol that: limits the number of topics for a 30(b)(6) notice; requires the noticing party identify "priority" topics on which it expects to focus the examination; requires parties to designate witnesses by topic five business days prior to the deposition, and to state two business days before the deposition whether the witnesses will be examined in their individual capacity as well.

12. Always Be Available

A discovery master should be available to deal with issues informally at an early stage, should respond to e-mail throughout the workday, at night and on weekends, and be prepared to hold telephonic hearings early in the morning and after normal working hours to accommodate counsel in different time zones.

13. Make Decisions Promptly

Patent cases are often on very fast tracks. A discovery master should target the issuance of an order within five days after a hearing. Unlike fine wine, discovery issues do not improve with age.

Final Word: How a Master Should Justify the Cost?

Some patent litigators fear that a master will increase the cost of discovery disputes. Will a master's informal procedures, ready availability and distance from the district judge encourage lawyers to generate discovery battles? Will lawyers make arguments to a master that they would hesitate to bring to a district judge or magistrate judge? How should a Master control any such tendency?

First, insist on meaningful meet-and-confer sessions. A master has tools to ensure that counsel engage in serious, collaborative discussions. A master may require a telephone report of important meet-and-confer sessions, or actually attend a session.

Some courts have required counsel to videotape meet-and-confer sessions. A couple of rounds of such "encouragement" usually persuades counsel of the benefit of making a serious effort to compromise disputes.

Second, make clear in discussions with counsel that the master knows an unnecessary, time-wasting or frivolous dispute when she sees it. Often a raised eyebrow or pointed remark is enough to correct such tendencies.

Third, impose cost sanctions for meritless motions or objections. Sanctions need to be wielded with care since they can either clear or poison the litigation atmosphere.

But counsel typically want the court to penalize plainly inappropriate discovery requests or objections. A master who deals daily with counsel will often have a more nuanced feel for when sanctions are appropriate than a judge who is more removed.

— *By Martin Quinn, JAMS Resolution Center*

Martin Quinn, an arbitrator, mediator and special master with JAMS Resolution Center in the San Francisco office.

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