

THE COALITION FOR 21ST CENTURY PATENT REFORM

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STAY OF DISCOVERY

Both S. 1013, the Patent Abuse Reduction Act of 2013, and H.R. 3309, the Innovation Act, would limit discovery in every civil action relating to patents where construction of the terms used in a patent claim is required until the court has rendered such decision. Discovery would only be permitted of information necessary for the court to determine the meaning of the terms used in the patent claim, including any interpretation of those terms used to support the claim of infringement. S. 1720, the Patent Transparency and Improvements Act of 2013, appropriately does not provide for staying discovery.

Since judicial construction of claims is sooner or later required in almost every patent case, the effect of this provision would be to delay and bifurcate merits discovery. Even in courts where claims construction is routinely conducted early in the proceeding, it normally takes several months for the court to issue its order. Under the proposals in S. 1013 and H.R. 3309, discovery that might otherwise be undertaken concurrently during this period will be postponed, thus delaying trial while the postponed discovery is completed, delaying the resolution of all patent cases.

Such a bifurcated approach would be less efficient and likely more costly. Discovery disputes over which documents must be produced in the first phase of discovery and which may be withheld would be likely, as would the necessity to recall witnesses for further depositions as the case progresses.

Under current practice, where discovery on all issues starts immediately, additional evidence will normally be adduced that may facilitate the early termination of the case by summary judgment ruling or through settlement. If discovery is not allowed prior to claims construction, the court will often be required to delay or deny early disposition of the case pending its completion.

While some patent cases might be managed more efficiently by deferring some, or all, discovery pending the claims construction ruling, courts are already empowered to manage discovery in this manner and to tailor case management to the particular facts and circumstances of each case. The 21C notes that district courts across the country with the most experience and skill in managing patent infringement cases have adopted local rules that specify the timing and scope of discovery and, to our knowledge, none of those courts has put in place an automatic stay of discovery pending claim construction. To the contrary, most local patent rules provide for initial disclosures at the outset of cases mandating an early, robust exchange of documents and information related to the merits of the action, recognizing that such disclosures help to clarify and narrow the issues in dispute and often foster early settlement. These courts also recognize that a developed evidentiary record at the time of the *Markman* proceedings assists judges in making claim construction rulings. For these reasons, an automatic stay of discovery pending claim construction is likely to be counterproductive in resolving many patent cases promptly or efficiently. Simply put, the case has not been made to legislate this one-size-fits-all approach to patent infringement case management.

Although both S. 1013 and H.R. 3309 would allow a court to exercise its discretion to expand the scope of discovery for the limited subset of cases where federal law requires completion of the case in a specified period of time, or when necessary to resolve a motion properly raised, before the claims construction ruling, neither of these exceptions would remedy the principal concerns with the proposal: that it would prolong almost all patent litigation and substantially increase its already high expense.

As passed by the House, H.R. 3309 was amended to provide that the limitation on discovery would not apply to an action seeking a preliminary injunction to redress harm arising from any allegedly infringing

instrumentality that competes with a product sold or offered for sale, or a process used by a party alleging infringement. While providing an exception to the stay of discovery to prevent competitive harm is a move in the right direction, limiting the exception to preliminary injunction cases guts its effectiveness for manufacturers. As the statistics bear out, preliminary injunctions are extremely rare in patent cases, as judges are very reluctant to enjoin a party on a preliminary record. Manufacturers filing legitimate claims for infringement to protect their investments against infringement should not be forced to file needless preliminary injunction motions, which will burden the courts, simply to avoid having the stay of discovery delay resolution of their cases for months. There is no reasonable basis for objection to a broad competitive harm exception for cases involving practicing patent owners by those who believe stays of discovery pending claim construction should be automatic in Non Practicing Entity (NPE) cases. Such an exception would not impact NPE cases.

In addition to the practical difficulties with the proposed stay of discovery provision, it raises serious concerns regarding the role of an independent judiciary. The power of U.S. courts to manage their own calendars and adopt their own case management procedures has long been recognized. The authority to establish and revise the Federal Rules of Civil Procedure has long fallen under the auspices of the United States Supreme Court, which manages the process of reviewing and revising these rules in reliance upon the recommendations of the Judicial Conference of the United States. In respect for this tradition, Congress should not lightly encroach on these procedures. The 21C believes it would be far preferable for Congress to offer recommendations to the Judicial Conference and leave the development of specific in-court practices to its deliberations.

The 21C believes S. 1720 takes the proper course, allowing the judiciary to manage the cases before them.

The Coalition has approximately 50 members from 18 diverse industry sectors and includes many of the nation's leading manufacturers and researchers. The coalition's steering committee includes 3M, Caterpillar, General Electric, Johnson & Johnson, Eli Lilly and Procter & Gamble. Visit <http://www.patentsmatter.com> for more information.