

NEVADA FEDERAL COURT: THE NEXT BEST PLACE FOR PATENT LITIGATION?

Understanding the New Local Rules of Practice for Patent Cases

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For more than a decade, federal district courts have been adopting specialized local rules of practice for patent cases with varying degrees of success. Like the Federal Rules of Civil Procedure, the new local rules for patent cases are designed to promote the just, speedy and inexpensive determination of patent actions and proceedings. On August 1, 2011, the United States District Court for the District of Nevada became the latest district court to adopt specialized local rules of practice for patent cases. The court's new local patent rules are arguably some of the most progressive in the country. So is Nevada now the latest best place in the country for patent litigation? The answer may surprise many: it depends. Parties with particularly strong claims or defenses will welcome Nevada's new patent rules.



Background

Patent litigation is complex, expensive and often protracted. It routinely starts with a beguilingly simple complaint, followed by intrusive discovery that can last years and involve the disclosure of a company's most sensitive and confidential information. There are often "mini trials" at the preliminary injunction stage and "Markman" hearings, where the court determines the meaning of the words within the patent, known as "claims," which describe the claimed invention. A judge or jury eventually decides whether the patent claims are valid and, if so, whether they are infringed by an accused device or method. But even then the case is rarely done. Most cases are appealed to the only location permitted for the appeal of patent cases: the United States Court of Appeals for the Federal Circuit, located in Washington, D.C.

Patent cases are often "bet the company" cases. Where a company's principal asset is its right to use or sell intellectual property, the final outcome of a patent case can determine whether the company survives or closes its doors. Because the stakes are so high, the process of litigation is long and patent cases are some of the most expensive in the country to litigate. Thus, many federal district courts have taken matters into their own hands in an attempt to streamline patent litigation, make it more efficient, less burdensome to parties and less expensive. Beginning with the Northern District of California

in 2001, local patent rules have sprung up in more than 18 districts, from the Eastern District of Texas to the District of New Jersey.¹ The new patent rules provide greater procedural predictability and reduce inefficiencies by eliminating the need to readdress recurring procedural issues in each case.

The District of Nevada's Local Patent Rules

Against this backdrop, in August 2011, the United States District Court for the District of Nevada became the latest court to adopt local patent rules. The rules are innovative because they provide the court and litigants flexibility and adopt many of the best practices for litigating patent cases that have been implemented and tested in other districts. The District of Nevada local patent rules require the parties to crystallize their legal theories early in the case and to disclose these along with all relevant facts almost immediately. Early disclosure is coupled with mandatory court-facilitated settlement conferences and an expedited discovery and claim construction process. This renders the District of Nevada's patent litigation process one of the most unique in the country. It is a system intended to benefit those parties whose claims or defenses are particularly strong, thereby encouraging the speedy and just resolution of the case.²

Nevada's new local rules of practice for patent cases, LR 16.1-1 et seq., became effective August 1, 2011, in conjunction with the District of Nevada's latest amendments to its local rules of practice. The new local patent rules, which constitute a new section of the District of Nevada's Local Rules, are comprised of 21 subparts and govern all procedural aspects of patent litigation.

Initial Scheduling Conference and Confidentiality

The new rules fit well within the court's existing discovery framework which is currently set forth in Local Rule 26-1. To encourage flexibility in the application of the rules, during the Rule 26(f) discovery planning conference, counsel may propose modifications to how the local patent rules will apply in their case (LR 16.1-3). During the conference, among the topics parties should discuss is the protection of confidential and sensitive information during the litigation process. Under the new rules, within 14 days of the conference, the parties must file a proposed joint protective order. Importantly, neither initial disclosures nor discovery responses may be withheld on the basis of confidentiality absent a court order. If a protective order is not yet in place when disclosures are due, a party may designate materials confidential and the disclosure will be limited to the opposing party's outside litigation counsel (LR 16.1-4).

Initial Disclosures

Dramatic changes have occurred regarding initial disclosures in Nevada patent cases. Within 14 days of the Rule 26(f) discovery planning conference, the party claiming patent infringement must serve its "Disclosure of Asserted Claims and Infringement Contentions" along with a substantive document production. The required disclosures include an identification of each patent claim allegedly infringed, a precise identification of the accused instrumentality of the infringement, a claim chart

identifying where each limitation of each asserted claim is found within the accused instrumentality, and if applicable, the factual basis for any willful infringement contention (LR 16.1-6). Mandatory initial document productions include a copy of the patent prosecution file and all evidence of any disclosures and reduction to practice of the claimed invention before the application date of the patent in suit (LR 16.1-7).

Those accused of patent infringement have 45 days from service of the plaintiff's disclosures to serve "Non-Infringement, Invalidity and Unenforceability Contentions" along with a substantive document production. The disclosures include, as the name suggests, a detailed description of any non-infringement contentions, the identification of alleged prior art that renders the patent invalid, whether such prior art anticipates an asserted claim or otherwise renders it obvious, and any other unenforceability contention (such as the identification of an affirmative misrepresentation or omission of material fact made to the United States Patent and Trademark Office, for example (LR 16.1-8)). Mandatory document disclosures include information regarding the accused instrumentality and copies of any alleged prior art that is not in the patent's prosecution file history (LR 16.1-9). Amendments to initial disclosures may be made for good cause without leave of court anytime before the discovery cut-off date. However, the parties' patent disclosures are final thereafter and further amendments may be made only by order of the court upon a timely showing of good cause (LR 16.1-12).

Claim Construction and Markman Hearing

Claim construction and Markman hearing procedures are now designed to encourage the parties to work together and limit the terms in dispute by narrowing or resolving differences before submitting a Joint Claim Construction and Prehearing Statement (*See* LR 16.1-13 to 16.1-15). In the joint prehearing statement the parties must, among other things, identify terms whose meanings are agreed upon, provide alternative constructions for terms whose meanings are not agreed upon and identify the terms likely to be most significant in resolving the patent dispute. This is necessary because the court's construction of the patent's terms may be case or claim dispositive.

Markman briefing schedules also have been standardized. The party claiming patent infringement, or the party asserting invalidity, if there is no infringement issue in the case, is required to serve and file an opening claim construction brief and evidence supporting the party's claim construction within 30 days after the parties submit the Joint Claim Construction and Prehearing Statement. The opposing party files a response within 14 days. A reply is due within seven days after the response (LR 16.1-16). The court will hold a claim construction hearing only if it believes a hearing is necessary for construction of the claims (LR 16.1-17).

Settlement Conferences

The District of Nevada's local patent rules are unique among district courts because they require three mandatory settlement conferences held at strategic points in time

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during the case. The first “Pre-Claim Construction Settlement Conference” is held within 30 days after the parties serve all initial disclosures and responses thereto. The second “Post-Claim Construction Order Settlement Conference” is held within 30 days following the court’s claim construction order. The third “Pretrial Settlement Conference” is held within 30 days after filing the pretrial order and before trial begins. These conferences are intended to bring the parties together at critical times in the case when the facts and circumstances are most conducive to reaching a settlement (LR 16.1-19).

Stay of Proceedings and Good Faith

If a patent-in-suit is subject to reexamination proceedings before the United States Patent and Trademark Office, the new local rules expressly allow the court to order a stay of litigation pending the outcome of the reexamination proceeding. To determine whether to grant a stay, the court will consider the circumstances of a particular case and, without limitation, the following factors:

1. whether or not a stay will unduly prejudice or present a clear disadvantage to the nonmoving party;

2. whether or not a stay will simplify the issues in question and the trial of the case;
3. whether or not discovery is complete; and
4. whether or not a trial date has been set (LR 16.1-20).

The new rules expressly require that all parties follow them in good faith. Indeed, failure to provide initial disclosures, narrow the instances of disputed claim construction terms, participate in the meet and confer process or comply with any other obligation under the rules may expose counsel to sanctions pursuant to 28 U.S.C. § 1927 (LR 16.1-21).

Conclusion

The United States District Court for the District of Nevada has adopted a progressive set of local patent rules that will expedite patent litigation by requiring parties in Nevada to “lay their cards on the table” early in the case. The new rules encourage flexibility, cooperation and transparency among patent litigants. They expressly require counsel to implement the new rules in good faith and encourage settlement by requiring settlement conferences at critical phases during the litigation process. The new rules should be welcomed by individuals and companies seeking a just, speedy and inexpensive determination of their patent rights. ■



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- 1 As of April 2011, 18 district courts have adopted local patent rules: N.D. Cal., S.D. Cal., N.D. Ga., D. Idaho, N.D. Ill., S.D. Ind., D. Mass., D. Minn., E.D. Mo., E.D.N.C., W.D.N.C., D.N.J., N.D. Ohio., S.D. Ohio, W.D. Pa., E.D. Tex., S.D. Tex., and W.D. Wash.
- 2 The United States District Court for the District of Nevada has also sought to enhance its ability to adjudicate patent cases by opting into the Patent Pilot Program established pursuant to Pub L. No. 111-349, 124 Stat. 3674. On January 5, 2010, Congress enacted a bill “to establish a pilot program in certain United States district courts to encourage enhancement of expertise in patent cases among district judges.” (H.R. 628). Nevada was selected as one of only 14 district courts in the country that will participate in the patent pilot program.