

REPORT

**NEW FEDERAL RULES OF CIVIL PROCEDURE
AFFECT PLEADING REQUIREMENTS, CASE
MANAGEMENT PROCEDURES AND DISCOVERY****December 18, 2015**

Changes to the Federal Rules of Civil Procedure effective on December 1¹ will impact, among other things, the pleading requirements in patent infringement litigation, particularly for allegations of direct infringement; early case assessment and case management; and the scope of discovery and certain discovery procedures, particularly with respect to document production and the preservation of electronically stored information (ESI). The changes affect Rules 1, 4, 16, 26, 30, 31, 33, 34, 37, 55 and 84. We focus our comments below on the most significant changes, including: (i) the abrogation of Rule 84 and the elimination of "Form 18" that previously set the standard for specificity in pleading direct infringement; (ii) changes to Rules 4 and 16 that are intended to speed the initial pace of litigations; (iii) changes to Rule 26, including the emphasis on "proportionality" in determining the proper scope of discovery; (iv) changes to Rule 34 affecting the document production process; and (v) changes to Rule 37 impacting the identification and preservation of ESI.

I. PLEADING STANDARDS

In its decisions in *Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007) and *Ashcroft v.*

Iqbal, 556 U.S. 662 (2009), the U.S. Supreme Court determined that more specificity is required in a civil complaint than what traditionally passed muster under the notice pleading standard of the Federal Rules. In fact, *Iqbal* and *Twombly* have been applied in the context of induced patent infringement cases to require a level of factual detail in the pleadings that amounts to more than just a threadbare allegation of infringement. However, in 2012, the U.S. Court of Appeals for the Federal Circuit confirmed that Form 18 is the standard by which complaints alleging direct infringement are judged. See *R+L Carriers, Inc. v. DriverTech LLC*, 681 F.3d 1323, 1334 (Fed. Cir. 2012). See also *K-Tech Telecommunications, Inc. v. Time Warner Cable, Inc.* 714 F.3d 1277 (Fed. Cir. 2013). Thus, based on Form 18, providing a patent number and identifying an accused product was sufficient.

Under the December 1 changes, Rule 84 and the referenced forms in the Appendix are abolished, including Form 18. Although the Advisory Committee Notes indicate that "[t]he abrogation of Rule 84 does not alter existing pleading standards or otherwise change the requirements of Civil Rule 8," the pleading standards in patent infringement cases will nonetheless change because, as noted above, the Federal Circuit previously relied on Form 18 in determining the minimum pleading requirements for direct infringement cases. Now that Form 18 is

¹ The entire package of rule changes and Advisory Committee Notes submitted to Congress is available at: <http://www.uscourts.gov/rules-policies/current-rules-practice-procedure>.

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no longer available, district courts will likely require that all patent infringement complaints include sufficient factual detail to demonstrate that the claim of infringement is "plausible," consistent with the standard articulated by the U.S. Supreme Court in *Twombly* and *Iqbal*. Of course, it is yet to be determined exactly how much factual detail will be required to meet that standard in each court and ultimately at the Federal Circuit.

II. CHANGES TO RULES 4 AND 16

Rule 4(m) is amended to reduce the time limit for service of a complaint from 120 days to 90 days after filing. Similarly, Rule 16(b)(2) is amended to reduce the time period for a court to issue a scheduling order from 120 days to 90 days after a defendant has been served, or from 90 days to 60 days after any defendant has appeared. The Advisory Committee Notes explain that these changes are intended to "reduce delay at the beginning of litigation." The changes will also likely encourage the parties, particularly plaintiffs, to develop and plan their cases earlier, which is consistent with the heightened pleading standards already discussed and the changes to Rules 26, 34 and 37 discussed below.

III. CHANGES TO RULE 26

A. Rule 26(b)(1)

Rule 26 includes general provisions governing the scope and timing of discovery. With regard to the scope of discovery, Rule 26 is amended to provide not only that discovery requests must be relevant to a party's claim or defense, but also that the requests must be "proportional to the needs of the case." Under revised Rule 26(b)(1), factors to be considered in determining whether discovery is proportional include: (1) the importance of the issues at stake; (2) the amount in controversy; (3) the parties' relative access to relevant information; (4) the parties' resources; (5) the importance of discovery in resolving the dispute; and (6) the burden and expense compared to the benefit. All but one of these proportionality factors previously existed in Rule 26(b)(2)(C)(iii),

which governs limitations on discovery imposed by the court, e.g., in response to a motion for a protective order. The amended rule now requires the parties and the court to consider these factors at the outset of each case in determining the overall scope of discovery for the case. As the Advisory Committee Notes explain, "[t]he present amendment restores the proportionality factors to their original place in defining the scope of discovery [and] reinforces the Rule 26(g) obligation of the parties to consider these factors in making discovery requests, responses, or objections."

Importantly, the Advisory Committee Notes also make it clear that this amendment does not (i) place the burden of establishing proportionality on the party seeking discovery or (ii) "permit the opposing party to refuse discovery simply by making a boilerplate objection that it is not proportional." Rather, "[t]he parties and the court have a collective responsibility to consider the proportionality of all discovery and consider it in resolving discovery disputes." The Advisory Committee also explains that the addition of factor (3), i.e., directing parties to consider the relative access to relevant information, is intended to address cases that involve "information asymmetry," where one party may have very little information (e.g., an individual plaintiff or NPE), and the other party may have easy access to vast amounts of information (e.g., a large corporate defendant). The Advisory Committee specifically recognizes that such circumstances "often mean that the burden of responding to discovery lies heavier on the party who has more information, and properly so" (emphasis added).

Below is the relevant portion of Rule 26(b)(1), as amended, with additions underlined and deletions struck through.

(1) **Scope in General.** Unless otherwise limited by court order, the scope of discovery is as follows: Parties may obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of

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~~the case, considering the importance of the issues at stake in the action, the amount in controversy, the parties' relative access to relevant information, the parties' resources, the importance of the discovery in resolving the issues, and whether the burden or expense of the proposed discovery outweighs its likely benefit. Information within this scope of discovery need not be admissible in evidence to be discoverable. — including the existence, description, nature, custody, condition, and location of any documents or other tangible things and the identity and location of persons who know of any discoverable matter. For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence. All discovery is subject to the limitations imposed by Rule 26(b)(2)(C).~~

B. Rule 26(d)(2)

Rule 26(d) governs the timing and sequence of discovery. Under the prior Rule 26(d), a party was typically not permitted to seek any discovery prior to the parties' Rule 26(f) discovery conference. New Rule (26)(d)(2) now permits the parties to serve document request under Rule 34 at any time "more than 21 days after the summons and complaint are served on a party," even if the parties have not yet conducted the Rule 26(f) discovery conference. However, the 30-day deadline for responding to such requests does not begin to run until the date of the Rule 26(f) conference.

The Advisory Committee Notes indicate that this amendment is "designed to facilitate focused discussion during the Rule 26(f) conference." In other words, early insight into the scope of the documents being requested by the other party is expected to facilitate a more focused and productive discussion at the Rule 26(f)

conference and facilitate early agreements on the scope and methods used to identify and produce relevant information. The ultimate goal is to facilitate a more streamlined and efficient discovery process that is focused on the information most relevant to the case.

Below is the relevant portion of new Rule 26(d)(2). The language in prior Rule 26(d)(2) concerning the sequence of discovery has been revised slightly and moved to new Rule 26(b)(3).

(2) Early Rule 34 Requests.

(A) Time to Deliver. More than 21 days after the summons and complaint are served on a party, a request under Rule 34 may be delivered:

(i) to that party by any other party, and

(ii) by that party to any plaintiff or to any other party that has been served.

(B) When Considered Served.

The request is considered to have been served at the first Rule 26(f) conference.

IV. CHANGES TO RULE 34

Rule 34 describes the procedures for requesting and producing documents, electronically stored information and tangible things. The amendments to Rule 34 primarily focus on the obligations of the party responding to requests for production. In particular, they require the responding party to (i) state its grounds for an objection "with specificity" and expressly indicate whether any responsive materials are being withheld on the bases of that objection; and (ii) produce copies of responsive documents or ESI at the time "specified in the request or another reasonable time that is specified in the response." A corresponding change to Rule 37(a)(3)(B)(iv) permits motions to compel when a party "fails to produce documents . . . as requested under Rule 34."

The Advisory Committee Notes explain that the new language in Rule 34(B)(2)(B) requiring

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objections to be stated with specificity is actually adopted from the current language in Rule 33 governing interrogatories and is intended to eliminate "any doubt that less specific objections might be suitable under Rule 34." This change is also tied to the new language in Rule 34(b)(2)(C) requiring parties to indicate whether any documents are being withheld based on an objection. As explained by the Advisory Committee, as part of an objection indicating that a request is overbroad, for example, the responding party may indicate the specific parts of the request that our overbroad and indicate that it will limit its search, e.g., "to documents or electronically stored information created within a given period of time prior to the events in suit, or to specified sources."

The amendments to Rule 34 do not impose an obligation to identify the specific document being withheld. "The producing party does not need to provide a detailed description or log of all documents withheld, but does need to alert other parties to the fact that documents have been withheld and thereby facilitate an informed discussion of the objection." Thus, in the example above, the responding party's indication that it will limit the scope of its search also is a sufficient indication that materials are being withheld based on the overbroad objection.

The changes to Rule 34 further require the responding party to specify when responsive materials will be produced, which is a change from the current practice where parties typically indicate that document will be produced, but do not specify a date for the production. As indicated in the amended language and explained by the Advisory Committee, "[t]he production must be completed either by the time for inspection specified in the request or by another reasonable time specifically identified in the response." The Advisory Committee Notes do recognize that, in practice, document productions are often made in stages. In such circumstances, however, the responding party should "specify the beginning and end dates of the production."

Below are the relevant portions of Rule 34(b)(2)(B) and (C), as amended, with additions underlined and deletions struck through.

(B) *Responding to Each Item.* For each item or category, the response must either state that inspection and related activities will be permitted as requested or state ~~an objection~~ with specificity the grounds for objecting to the request, including the reasons. The responding party may state that it will produce copies of documents or of electronically stored information instead of permitting inspection. The production must then be completed no later than the time for inspection specified in the request or another reasonable time specified in the response.

(C) *Objections.* An objection must state whether any responsive materials are being withheld on the basis of that objection. An objection to part of a request must specify the part and permit inspection of the rest.

V. CHANGES TO RULE 37

Rule 37 addresses, among other things, sanctions for failing to make required disclosures or cooperate in discovery. Prior Rule 37(e) only addressed situations where a party failed to provide ESI because it was "lost as a result of the routine, good-faith operation of an electronic information system." The rule did not specify what, if any, sanctions could be imposed if ESI was lost in other circumstances. The Advisory Committee recognizes that "[t]his limited rule has not adequately addressed the serious problems resulting from the continued exponential growth in the volume of such information." As a result, courts have developed "significantly different standards for imposing sanctions or curative measures on parties who fail to preserve electronically stored information."

Amended Rule 37(e) specifies measures a court may take if ESI that should have been preserved is lost "because a party failed to take

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reasonable steps to preserve it." Thus, the Advisory Committee notes that in applying the new rule, courts may need to decide "whether and when a duty to preserve arose," and "whether a party failed to take reasonable steps to preserve information" (emphasis added). In this regard, the Advisory Committee indicates that the new rule is based on a party's common-law duty to "preserve relevant information when litigation is reasonably foreseeable," and "does not attempt to create a new duty to preserve." Among the factors articulated by the Advisory Committee to be considered in assessing a party's duty to preserve ESI are: (i) the amount of information the party had about the prospective litigation; (ii) whether the party had an independent obligation to preserve information (e.g., as a result of statutory or administrative obligations); (iii) whether the obligation to preserve was triggered by a court order; (iv) the sophistication of the party with regard to preservation obligations and efforts; (v) whether the information was in the party's control; and (vi), consistent with new Rule 26(b)(1), the proportionality of the preservation efforts to the needs of the case.

Below are the relevant portions of Rule 37(e), as amended, with additions underlined and deletions struck through.

(e) Failure to ~~Provide~~ Preserve Electronically Stored Information.
~~Absent exceptional circumstances, a court may not impose sanctions under these rules on a party for failing to provide electronically stored information lost as a result of the routine, good faith operation of an electronic information system. If~~
electronically stored information that should have been preserved in the anticipation or conduct of litigation is lost because a party failed to take reasonable steps to preserve it, and it cannot be restored or replaced through additional discovery, the court:

(1) upon finding prejudice to another party from loss of the information, may order measures no greater than necessary to cure the prejudice; or

(2) only upon finding that the party acted with the intent to deprive another party of the information's use in the litigation may:

(A) presume that the lost information was unfavorable to the party;

(B) instruct the jury that it may or must presume the information was unfavorable to the party; or

(C) dismiss the action or enter a default judgment.

VI. RECOMMENDATIONS

It is likely that individual district courts will take different approaches to these new rules, e.g., with respect to the level of specificity required in pleadings in patent infringement cases and the proportionality requirement for discovery, and it will take time for the case law to develop and progress through the district courts and the Federal Circuit. In the meantime, we provide the following initial recommendations in view of the new rules.

- Although courts may not ultimately require detailed claim charts at the initial pleading stage, prospective plaintiffs should nonetheless consider including more detailed information about the accused product and tying that product information to specific patent claims such that there is "sufficient factual matter" to support a "plausible" claim for infringement.
- Prospective plaintiffs should also gather sufficient information before filing suit so that they are prepared to amend the complaint, if necessary, to provide more specific contentions. For example, one process some courts may use will be to order dismissal of a complaint within a specified time if a plaintiff does not file an amended complaint with more specific, factually supported allegations.

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- Defendants should be mindful of the new rules, and the potential for early motions to dismiss if a complaint is lacking in factual detail;
- The amendments to Rules 16 and 26 underscore the need for cooperation among the parties at the early case assessment and management stage. Litigants and their attorneys should be prepared to address questions regarding the scope of discovery, and the potential costs and burdens of discovery, early in the case. A party that is well-prepared on these issues will be in the best position to negotiate a favorable case management plan at the Rule 26(f) conference, including, e.g., limits on the scope and timing of discovery (which could limit or avoid costly preservation, review and production efforts) and, possibly, a favorable timeline for early resolution of issues through dispositive motions.
- The changes to Rules 34 and 37 similarly emphasize the triggering of a duty to preserve relevant information, and the need for early identification and preservation of relevant materials, particularly ESI (e.g., identifying sources and locations of relevant data and the key custodians of that data). Addressing these issues as early as possible will put a party in a better position to negotiate the scope of discovery in the case, articulate specific objections to discovery requests, and timely review and produce responsive information.

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