

New Northern District of Illinois Local Patent Rules Will Drive Cases to Chicago

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The Northern District of Illinois enacted Local Patent Rules ("LPR" or "Rules") on October 1, 2009. The purpose of the Rules is to normalize patent litigation in the Northern District of Illinois and to streamline the patent litigation discovery process. See LPR, Preamble. The rules also make clear that the court does not intend to become a "rocket docket." In fact, the Rules create a schedule that would have cases ready for trial in a little over two years, although cases would not necessarily be tried at that time. That is at most a modest change from the court's average time to trial for all cases—about twenty-seven months, according to the most recent Federal Court Management Statistics.

The Northern District of Illinois did not intend that its new Rules would drive patent cases to Chicago, as has happened when other courts enacted local patent rules, such as the Eastern District of Texas. But despite its intentions, the Northern District of Illinois's plan to normalize patent litigation practice and streamline discovery will significantly increase patent filings in Chicago. To understand why the Rules will increase case filings, it is important to understand the process created by the Rules, and then look at the impact specific Rules will have for both patentholders and accused infringers.

The Rules

The Rules were drafted and revised after public comment by a committee comprised of practitioners representing a cross-section of the District's patent bar and four Northern District of Illinois judges: Chief Judge James F. Holderman, Judge Matthew F. Kennelly, Judge James B. Zagel, and Judge Amy J. St. Eve. The Rules were then enacted by the Northern District of Illinois judges.

The Rules require early discovery through substantial production obligations accompanying all parties' Initial Disclosures. The Rules also require parties to take early positions on the merits of their claims and defenses in the form of Initial Contentions, presumably based upon documents exchanged with Initial Disclosures. Finally, the Rules position claim construction at the end of fact discovery, and show a preference against summary judgment motions prior to claim construction.

Here is a more detailed look at the schedule and duties contemplated by the Rules:

Protective Order. A standard two-tier protective order is deemed entered when Initial Disclosures are served. LPR 1.4. Any party is free to seek modifications to the protective order. *Id.* The automatic entry of the order prevents discovery delays while parties negotiate a proposed protective order and reduces legal fees for the negotiation.

Initial Disclosures & Production Two weeks after the accused infringer answers, or two weeks after the patentholder answers any counterclaims, the parties must exchange substantive, non-evasive Fed. R. Civ. P. 26(a) Initial Disclosures. LPR 2.1. And along with the Initial Disclosures, the parties must exchange initial document production.

LPR 2.1(a) requires patentholders to produce *all* documents regarding: 1) any sale, offer for sale or use of the patented invention before filing; 2) design, reduction to practice, or invention of the patented technology generally; 3) all communications with the U.S. Patent and Trademark Office (the prosecution history) for the patents in suit and any patents from which they claim priority; and 4) ownership of the patent. LPR 2.1(b) requires that along with its Initial Disclosures, an accused infringer produce: 1) documents sufficient to show the operation and construction of each element of any product or process specifically accused in the Complaint; and 2) copies of all known prior art. Additionally, all parties are required to identify which documents, by Bates number, fall into each required production category. For cases in which there are lengthy lists of accused products, both the production and the identification of documents by categories could be a significant undertaking early in a case.

Initial Contentions. Two weeks after Initial Disclosures are served, parties claiming patent infringement serve Initial Infringement Contentions that will likely be substantive because the patentholder should have the accused infringer's Initial Disclosure document production. LPR 2.2. Two weeks after Initial Infringement Contentions are served, accused infringers serve Initial Non-infringement, Unenforceability and Invalidity Contentions. LPR 2.3. Along with these contentions, accused infringers must produce any additional documents relied upon including prior art and technical information. Two weeks later, patentholders must serve an Initial Response to Invalidity Contentions. LPR 2.5.

Final Contentions. Twenty-one weeks after Initial Infringement Contentions, parties claiming infringement serve Final Infringement Contentions, and accused infringers serve Final Unenforceability and Invalidity Contentions at the same time. LPR 3.1. Four weeks later, accused infringers serve Final Non-infringement Contentions and parties claiming patent infringement serve Final Enforceability and Validity Contentions (after the final contentions, leave of Court is required for any amendments). LPR 3.2. This gives the parties about four months to complete the bulk of their technical discovery and depositions.

Final Contentions are not amendable without a Court order upon a showing of good cause and an absence of unfair prejudice to the opposing party. LPR 3.4. In a comment, the court noted that its adoption of a new, unargued claim construction would be an example of good cause.

Deadline for Stays Pending Reexamination. No party can seek a stay pending reexamination after serving its Final Contentions. LPR 3.5. The Rule, however does not create a presumption for staying cases pending reexamination prior to the cutoff date. *Id.*

Claim Construction. The claim construction process begins two weeks after defendant's Final Invalidity Contentions are served with an exchange of terms and proposed constructions. LPR 4.1(a). Within seven days of exchanging terms, the parties must meet and confer to agree upon no more than ten terms for construction by the court. Presenting more than ten terms requires prior leave of court and requires a showing of good cause. LPR 4.1(b).

Claim Construction Briefing. Five weeks after exchanging terms, accused infringers file opening claim construction briefs along with a joint appendix by all parties including the patents in suit and their prosecution histories consecutively paginated. LPR 4.2(a)-(b). Parties claiming patent infringement have four weeks to file response briefs. LPR 4.2(c). Accused infringers have fourteen days to file a reply. LPR 4.2(d). Any party offering witness testimony must include a sworn declaration and promptly make the witness available for deposition. If witness testimony is included in a response brief, the reply deadline is extended by seven days.

After the reply brief is filed, the parties have seven days to file a joint claim construction chart setting out each claim term, the proposed constructions, and the parties' proposal for a claim construction hearing.

Claim Construction Hearing. The Rules contemplate a claim construction hearing four weeks after the reply brief, but the judge can decline a hearing. LPR 4.3. The lack of a hearing may be a reason to allow a sur-reply brief. *Id.* A judge also may decide not to accept a reply brief. The parties must exchange all exhibits, including demonstratives, at least three days before a claim construction hearing. *Id.*

Fact Discovery Close. Fact discovery closes six weeks after the claim construction rulings, which triggers expert discovery followed by a dispositive motion deadline. LPR 1.3. Fact discovery is also suspended from four weeks after the LPR 4.1(a) exchange of claim terms, until the Court enters a claim construction ruling. LPR 1.3. This leaves parties free to focus on claim construction briefing without dealing with discovery issues at the same time.

Expert Discovery. Three weeks after the close of fact discovery, parties must make their initial expert witness disclosures for non-claim construction issues on which they have the burden of proof. LPR 5.1(b). Five weeks later, rebuttal expert witness disclosures are due. LPR 5.1(c). Expert depositions must be finished five weeks later. LPR 5.2. Supplementation of expert reports after the LPR 5.1 deadlines is presumed prejudicial and is not allowed absent a showing that the material could not have been added or amended earlier and that there is no unfair prejudice. LPR 5.3.

Trial. Cases should be trial ready approximately two years after the filing of the complaint. This would be slightly faster than the Northern District of Illinois's average time to trial of twenty seven months. But the Rules do not require that trial occur at that time, just that the case is ready for trial.

The Rules Will Drive Patent Cases to Chicago

While the Northern District has made clear that it is not transforming itself into a "rocket docket" like the District of Virginia or the Western District of Wisconsin, the newly enacted Rules will significantly increase patent litigation filings in Chicago. The cases will not proceed to trial faster than the Northern District's average for Eastern all cases of slightly more than twenty-seven months, but the path to trial will be significantly different as described above. The changes are even-handed, with Rules benefiting patentholders being largely offset by the Rules that benefit accused infringers. One might expect even-handed Rules to have little impact on filings, but in this case patentholders will conclude that the Rules provide enough value to overcome the Rules that benefit accused infringers. The Rules, therefore, will draw patent cases to the Northern District. Here are the particular elements of the Rules that will attract patent plaintiffs to the Northern District, along with an analysis of how the Rules nevertheless also benefit accused infringers.

1. Substantive Initial Disclosures & Document Production.

LPR 2.1 requires that parties exchange significant discovery along with their Initial Disclosures. In particular, accused infringers must produce documents sufficient to show how all specifically accused products or processes operate. LPR 2.1(b). This early document production, which is generally contemplated by Rule 26 but almost never done in practice, will be a major draw for patentholders. The ability to get immediate technical information in discovery, without the expense of serving document requests, is significant. It allows patentholders to have information before preparing their Initial Infringement Contentions. Patentholders will also get a preview of invalidity defenses and patentholders receive all of this information early in the case, before they incur significant discovery costs.

But while LPR 2.1 will attract patent plaintiffs, it also benefits accused infringers. As described above, patentholders must make an initial document production as well, and their obligation is more significant. LPR 2.1(a). Additionally, as with accused infringers, patentholders must identify which documents correspond to each of the four categories. Having this early information will allow accused infringers to evaluate their defenses early in the case and prepare for early dispositive motions such as motions challenging ownership or validity based upon a bar date. And the documents will allow accused infringers to update affirmative defenses or add counterclaims before there could be any prejudice.

Finally, the accused infringers' production obligation regarding its products is only triggered if the patentholder specifically identifies the accused products in its complaint. This will strongly encourage plaintiffs to identify the accused products in the complaint. A standard which comports with the *Twombly/Iqbal* pleading standards and will lead to more focused patent litigations. *R. David Donoghue, The Uneven Application of Twombly in Patent Cases: An argument for Leveling the Playing Field*, 8 J. Marshall Rev. Intell. Prop. 1.1 (2008).

2. Defendant opens and closes Markman briefing.

Most Districts either have two rounds of concurrent claim construction briefing or a traditional opening-response-reply schedule with the patentholder opening and replying. Significantly, the Rules provide for a single set of briefs, with the accused infringer—not the patentholder—submitting the initial and final briefs. The court reasoned that this briefing schedule provided the best, most coherent set of papers because a patentholder's opening brief often argues for "ordinary" meanings of most terms without specific proposed definitions. Then after the accused infringer offers constructions in its response, the patentholder offers detailed constructions of those terms for the first time on reply. That scenario either leaves the accused infringer without a chance to answer the patentholder's constructions on the papers, or it requires a sur-reply. Similarly, concurrent briefing results in the parties arguing past each other, generating briefs that do not fully crystallize the issues for the court. Writing first and last, of course, benefits the accused infringer. But the patentholder saves money by only writing one brief and can make any follow up arguments during a hearing or seek a sur-reply if the court does not hold a hearing.

3. Late Claim Construction briefing.

The final major draw for patentholders is the late claim construction proceedings. In addition to cost savings in the briefing process, claim construction is set during the end of a floating fact discovery period that is scheduled to end forty-five days after the court rules on claim construction. Maintaining pre-claim construction uncertainty through most of discovery benefits patentholders. Furthermore, the Rules make clear that a judge can disregard early dispositive motions that would require claim construction before the claim construction contemplated by the Rules. LPR 1.1. So, patentholders may face fewer early summary judgment motions.

Conclusion

The Northern District of Illinois's Local Patent Rules are evenhanded, benefiting both patentholders and accused infringers. But the specific benefits afforded patentholders will drive patentholders to file in the Northern District of Illinois over other courts, some that may have faster times to trial.

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