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PATENTS

The authors review the early results of district courts applying the Dec. 1 amendment emphasizing that discovery must be “proportional to the needs of the case.”

The Proportionality of Discovery in Patent Cases: An Analysis of How District Courts Have Applied, and How They Should Apply, the Proportionality Standard of Amended Federal Rule of Civil Procedure 26(b)(1)



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Four months have passed since the Federal Rules of Civil Procedure were amended. Amended Rule 26(b)(1) returns to prominence the explicit requirement that discovery must be “proportional to the needs of the case,” and clarifies the permissible scope of discovery. This article analyzes district courts’ treatment of discovery disputes in the wake of the latest amendment, and explains why district courts can and perhaps should go further in limiting the scope of discovery in patent cases.

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Background

Amendments to the Federal Rules of Civil Procedure are often “modest and technical, even persnickety” (in the Chief Justice’s words), but the 2015 amendments are different.¹ They stem from five years of “intense study, debate and drafting to address the most serious impediments to just, speedy, and efficient resolution of civil disputes,” and “mark significant change, for both lawyers and judges, in the future conduct of civil trials.”²

In 2010, the Advisory Committee on Civil Rules sponsored a symposium at Duke University, attended by a diverse cross-section of the legal community. Dozens of papers and data compilations resulted from the symposium, which “confirmed that, while the federal courts are fundamentally sound, in many cases, civil litigation

¹ 2015 Year-End Report on the Federal Judiciary, at 4–5, available at <http://www.supremecourt.gov/publicinfo/year-end/2015year-endreport.pdf> (last accessed Mar. 29, 2016).

² *Id.* at 4.

Pre-Amendment Rule 26(b)(1)	2015 Amendment Rule 26(b)(1)
<p><i>Scope in General.</i> Parties may obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense—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).</p>	<p><i>Scope in General.</i> Parties may obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of 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.</p>

has become too expensive, time-consuming, and contentious, inhibiting effective access to the courts.”³

The symposium identified four needed reforms: (1) increase cooperation among counsel, (2) focus discovery on only information truly necessary to resolve the case, (3) engage judges in early and active case management and (4) address issues concerning the overwhelming quantity of electronically stored information.⁴ The Advisory Committee worked for several years to draft amendments, with comments and recommendations from the public, and input from the various judicial authorities.⁵

The amended Federal Rules of Civil Procedure took effect on Dec. 1, 2015. This article focuses on the changes to Rule 26(b)(1). Rule 26(b)(1), governing the scope of discovery, “crystalizes the concept of reasonable limits on discovery through the increased reliance on the common-sense concept of proportionality.”⁶ The amendment is shown in the chart above.

Of note, amended Rule 26(b)(1) expressly defines the scope of discovery proportionally according to the needs of the case. Although the proportionality factors existed elsewhere in the pre-amendment version of Rule 26, the 2015 amendment returns them to prominence.

The amendment does not (i) alter the responsibility of the parties and courts to consider proportionality, (ii) place a burden on the requesting party to address all of the proportionality factors or (iii) “permit the opposing party to refuse discovery simply by making a boilerplate objection that it is not proportional.”⁷ Instead, it “restores the proportionality factors to their original place in defining the scope of discovery,” and reinforces the parties’ obligations to consider the proportionality factors in making discovery requests, objections and responses.⁸

Post-Amendment Treatment of Discovery Scope

By and large, district courts have been following the Advisory Committee’s directive to take proportionality

into account when defining the scope of permissible discovery. A handful of patent and non-patent cases follow that highlight how courts have handled discovery disputes in the four months since the amendments took effect. In some instances, courts have latched onto the proportionality requirements to deny discovery.

Barry v. Medtronic, Inc.

In *Barry v. Medtronic*, plaintiff Dr. Barry sought discovery from third-party Globus regarding its spinal deformity treatment device, which competed with both the accused product and that of Dr. Barry’s licensee.⁹ Dr. Barry argued that the discovery was warranted because (1) Globus’s alleged copying of Dr. Barry’s patented device and its resulting commercial success were evidence tending to rebut obviousness, and (2) the discovery would help fix the damages owed to Dr. Barry.¹⁰

In granting Globus’ motion to quash Dr. Barry’s subpoenas, the court found that, even assuming the information sought by Dr. Barry is relevant, “it is overly burdensome and disproportional to the needs of the parties in the underlying action.”¹¹ The court determined that the breadth of the subpoenas would require Globus to “conduct a broad review of all of the information it possesses on research and development, sales, marketing, license and use” of its product, as well as “conduct extensive research into every surgery conducted by any purchaser” of its product—“an enormous and expensive undertaking” that is “disproportional to the needs of the case.”¹²

Gilead Sci., Inc. v. Merck & Co., Inc.

Gilead v. Merck concerned an inventorship dispute, with plaintiff Gilead claiming to have invented the subject matter of defendant Merck’s patent, as part of a compound called PSI-6130.¹³ Discovery in related litigation produced a photograph of compounds having the same molecular weight as PSI-6130 and obtained by Gilead during the relevant timeframe.¹⁴ Other information from Gilead confirmed that they were not, in fact, PSI-6130, but Merck was skeptical and moved to com-

³ *Id.*

⁴ *Id.* at 4–5.

⁵ *Id.* at 5.

⁶ *Id.* at 6.

⁷ Advisory Committee Notes to Rule 26 (2015 amends.).

⁸ *Id.*

⁹ *Barry v. Medtronic, Inc.*, No. 2:16-mc-00047-HB, slip. op. at 1–2 (E.D. Penn. Mar. 17, 2016).

¹⁰ *Id.* at 3–5.

¹¹ *Id.* at 5.

¹² *Id.* at 5–6.

¹³ *Gilead Sci., Inc. v. Merck & Co., Inc.*, No. 5:13-cv-04057-BLF, slip. op. at 1–2 (N.D. Cal. Jan. 13, 2016).

¹⁴ *Id.* at 2–3.

pel additional discovery, “protesting that it should not have to take Gilead’s word as to what exactly was in those tubes.”¹⁵

The court denied Merck’s motion, using it as a teaching moment. According to Magistrate Judge Grewal, although proportionality is nothing new, “What will change—hopefully—is mindset.”¹⁶ The court found the parties’ dispute to be “a good example of the wisdom of the Advisory Committee . . . in elevating proportionality in defining the scope of permissible discovery.”¹⁷ He analogized Merck’s requests to “requiring GM to product discovery on Buicks and Chevys in a patent case about Cadillacs simply because all three happen to be cars.”¹⁸ The court concluded, “In the absence of any reason to doubt the proof Gilead has tendered about the identity of the disputed compounds, and given the cost and potential delay introduced by the requested production, Merck’s request is precisely the kind of disproportionate discovery that Rule 26—old or new—was intended to preclude.”¹⁹

Copyright Case

In other instances—including in other areas of intellectual property—courts have indicated that the amended rule does not automatically absolve a party from discovery.

In *Goes v. Dodur*, a copyright case involving an allegation of illegal copying and worldwide distribution of a video game, plaintiff Goes sought to compel from defendant Dodur information concerning the revenue Dodur received from distributing the allegedly pirated game outside the United States.²⁰

The court granted Goes’ motion, finding that “for the purpose of this discovery dispute, under Rule 26 . . . the requested information is relevant to plaintiff’s claims and (on this record) proportional to the needs of this case.”²¹ The court recognized Dodur’s limited financial resources, but found that it is not decisive.²² According to the court, the requested information “should be relatively ready to hand . . . [o]r readily gotten using data-analysis software,” and “may ‘likely benefit’ both parties [in settlement discussions] to accurately fill out the picture of this developing lawsuit.”²³

Non-IP Cases

And, of course, the amended rules apply to non-IP cases as well. In *Curtis v. Metropolitan Life*, an action to recover benefits under the Employee Retirement Income Security Act of 1974, plaintiff Curtis sought to compel from defendant MetLife discovery beyond production of the administrative record.²⁴

The court “conclude[d] that the amendments to Rule 26 do not alter the burdens imposed on the party resisting discovery . . .,” namely that “a party seeking to resist discovery on [proportionality] grounds still bears

the burden of making a specific objection and showing that the discovery fails the proportionality calculation mandated by Rule 26(b).”²⁵ The court overruled as invalid MetLife’s general objections, and found that many of its specific objections were not “pressed or supported . . . and . . . therefore waived or overruled.”²⁶ The court granted in part and denied in part Curtis’ motion, determining that certain requests were proportional to the needs of the case, while others were not.

Proactively Addressing Proportionality

Additionally, beyond resolving particular discovery disputes, certain courts and parties have taken a proactive approach to address the proportionality requirements of Rule 26. Some courts are emphasizing the parties’ obligation to work together and coordinate discovery efforts, and parties are acknowledging proportionality limitations in orders governing discovery.²⁷

But, there are legacy rules and default orders that have not yet been modified. For example, Eastern District of Texas Chief Judge Clark’s Standing Initial Order Governing Proceedings still requires the parties to produce “[a] copy of all documents, electronically stored information, witness statements, and tangible things in the possession, custody, or control of the disclosing party that are relevant to a claim or defense of any party,” without regard to proportionality.²⁸ The sample Discovery Orders of Judges Gilstrap, Schroeder, and Schneider include a similar requirement.

Takeaways

To date, Rule 26, as amended, has prompted many district courts to explicitly address the proportionality factors when deciding motions to compel in a way that was rarely seen before the amendment. Many courts, however, have focused on the Advisory Committee Notes indicating that the amendments did not involve a substantive change to the rules as much as a restoration of the original scope.

Perhaps lost in this recitation of the Advisory Committee Notes is the underlying fact that the pre-amended version of Rule 26 was often applied too liberally by courts. Indeed, it was this liberal application of the discovery standard, and the associated costs of discovery, that was part of the impetus for the Duke study and ultimate Rule 26 amendment.

This explains Magistrate Judge Grewal’s call for a change in “mindset”: Even if the rules have not changed doctrinally, the amendments can be read to abrogate the courts’ liberal application of those rules and demand a more focused inquiry into the likely benefits associated with onerous discovery requests.

Patent cases, particularly those in the mechanical, electrical and computer-related arts, frequently involve

¹⁵ *Id.*

¹⁶ *Id.* at 1.

¹⁷ *Id.*

¹⁸ *Id.* at 3.

¹⁹ *Id.*

²⁰ *Goes Int’l, AB v. Dobur Ltd.*, No. 3:14-cv-05666-LB, slip op. (N.D. Cal. Feb. 4, 2016).

²¹ *Id.* at 1–2.

²² *Id.* at 6.

²³ *Id.* at 6–7.

²⁴ *Curtis v. Metro. Life Ins. Co.*, No. 3:15-cv-02328-B, slip op. (N.D. Tex. Feb. 19, 2016).

²⁵ *Id.* at 6–7.

²⁶ *E.g., id.* at 11–12.

²⁷ See, e.g., *Steuben Foods, Inc. v. Oystar Group*, No. 10-cv-00780-EAW-JJM, slip op. at 1–2 (W.D.N.Y. Dec. 21, 2015); *BlitzSafe Texas, LLC v. Honda Motor Co.*, No. 2:15-cv-1274-JRG-RSP, Discovery Order at 5–6 (E.D. Tex. Feb. 16, 2016).

²⁸ Standing Initial Order Governing Proceedings, Chief Judge Clark, Eastern District of Texas, at 5, available at <http://www.txed.uscourts.gov/page1.shtml?location=info:judge&judge=5> (last accessed March 29, 2016).

uneven discovery burdens. Often, patent holders are non-practicing entities (NPEs) that have investors, but few actual employees, and which engage in few (if any) activities beyond patent acquisition and enforcement. In the past, some NPEs having little discoverable information of their own (typically only the patents themselves and associated purchase documents) have brought cases against large multi-national corporations, and asymmetrically increased defendants' litigation costs by pushing the boundaries of Rule 26 discovery.

In the pre-2015 amendment world, the cost to a defendant of simply participating in discovery often approached, or exceeded, the potential exposure. In the authors' view, the discovery cost imbalance in patent cases has influenced policy debates in other areas of substantive patent law, and caused many to call into question the fundamental economic benefits of the U.S. patent system as a whole.

The amendments to Rule 26 offer courts an opportunity to address the discovery cost imbalance, and to re-focus discovery on the core issues in the case. However,

many courts have been slow to embrace the opportunity for change.

For example, many judges in the Eastern District of Texas still maintain a default discovery order that calls for the automatic production of all relevant documents, without regard to any proportionality considerations. It seems that some of these default provisions should be revisited in view of the Rule amendments, including those pertaining to mandatory e-mail production, which may be inappropriate or at least disproportionately burdensome and expensive in some patent cases, particularly those without allegations of willfulness or copying.

Courts should encourage parties to address and report on the proportional needs of the case on an ongoing basis throughout the course of discovery, since those needs are often difficult to predict at the outset and may change as new evidence comes to light.

It may yet be too early to tell how the caselaw on the amended version of Rule 26 will develop, but in the authors' view, it is just the beginning of a trend towards more focused discovery in patent cases.