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## Pleading Patent Infringement: Res Ipsa Loquitur as a Guide

Andrew L. Milam

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# NOTES

## PLEADING PATENT INFRINGEMENT: RES IPSA LOQUITUR AS A GUIDE

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## INTRODUCTION

The nature of the modern patent system has allowed for abusive litigation tactics. In particular, because the cost of early settlement is often much lower than defending a patent suit on its merits, “nuisance-value patent suits” have become popular.<sup>1</sup> Often such suits are filed by “non-practicing entities” (NPEs) or “patent assertion entities” (PAEs), which, because of their abusive litigation strategies, are commonly known as “patent trolls.”<sup>2</sup> And while numerous causes are attributed to encouraging such practices, including the high costs of patent litigation, the large number of patents issued, and the uncertainty surrounding a patent’s claims,<sup>3</sup> the traditionally low pleading standards have often been key in facilitating patent trolls’ abusive litigation tactics.<sup>4</sup>

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1. Ranganath Sudarshan, *Nuisance-Value Patent Suits: An Economic Model and Proposal*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 159, 159 (2008); see Jonathan L. Moore, *Particularizing Patent Pleading: Pleading Patent Infringement in a Post-Twombly World*, 18 TEX. INTELL. PROP. L.J. 451, 484-89 (2010).

2. See, e.g., Rebecca Schoff Curtin, *SLAPPING Patent Trolls: What Anti-Trolling Legislation Can Learn from the Anti-SLAPP Movement*, 18 STAN. TECH. L. REV. 39, 40-41 (2014); Edward Wyatt, *Obama Orders Regulators to Root Out ‘Patent Trolls,’* N.Y. TIMES (June 4, 2013), <http://www.nytimes.com/2013/06/05/business/president-moves-to-curb-patent-suits.html> [<https://perma.cc/2WDT-X25E>].

3. See generally Moore, *supra* note 1, at 467-69 (“[S]ignificant ... uncertainty surrounding patent litigation also encourages early settlement.”). For example, a common defense in patent infringement cases is for the alleged infringer to show that the asserted patent is invalid and thus unenforceable. See *id.* at 467. However, patents are presumed to be valid, so the challenging party must establish a patent’s invalidity with “clear and convincing” evidence, e.g., *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1359-60 (Fed. Cir. 2007) (quoting *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1375 (Fed. Cir. 1986)), which, to be successful, will ordinarily impose significant costs on the challenger. See Moore, *supra* note 1, at 467. Other issues, such as prevailing defendants’ abilities to recover fees and district courts’ disfavor of imposing Rule 11 sanctions, have encouraged abuse. See Paul R. Gugliuzza, *Patent Litigation Reform: The Courts, Congress, and the Federal Rules of Civil Procedure*, 95 B.U. L. REV. 279, 287 & n.50, 293 (2015) (noting that the majority of courts do not conduct Rule 11 inquiries); see also Megan M. La Belle, *Against Settlement of (Some) Patent Cases*, 67 VAND. L. REV. 375, 437 (2014). These additional issues, however, are beyond the scope of this Note.

4. See Moore, *supra* note 1, at 476-86 (describing the simple pleading requirements in patent cases under Form 18).

Patent litigation and the problem of patent trolls has been a hot topic for the past several years.<sup>5</sup> Many nationwide reforms have been discussed,<sup>6</sup> but few have been implemented. Perhaps in response to the lack of nationwide solutions, many district courts have adopted local procedural rules for patent cases.<sup>7</sup> Most, if not all, of these reforms have been, at least in part, aimed at raising the pleading standards for patent infringement cases. Such reform is a worthy cause. Stricter pleading standards, especially in patent cases, would likely be a worthwhile solution to the patent troll problem. However, regardless of whether stricter standards are implemented directly through legislation or amendments to the Federal Rules of Civil Procedure, or indirectly through local procedural rules that control the early stages of a case, the standards cannot become so strict as to preclude worthy claimants. If the standards are raised too high, there is a real risk that infringement that occurs in secret—for example, a manufacturing process or proprietary software that the patent holder cannot access—will escape court enforcement because the patent holder will never get the benefit of discovery.

This Note advocates for a specific approach—or rather implementation of a rule<sup>8</sup>—for dealing with the beginning of patent infringement cases. The Proposed Rule calls for a “heightened” pleading

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5. See, e.g., *Last Week Tonight with John Oliver: Patents* (HBO television broadcast Apr. 19, 2015), [https://www.youtube.com/watch?v=3bxcc3SM\\_KA&feature=youtu.be](https://www.youtube.com/watch?v=3bxcc3SM_KA&feature=youtu.be) [<https://perma.cc/T2HJ-CLUW>] (discussing, among other things, a patent troll that sued an individual for patent infringement on the basis that its patent covered “a computer program checking a central server for authorization”: the “technology upon which all android apps are based”); *id.* (“[R]esearch show[s] that [patent troll] litigation has cost investors an estimated [\$500 billion] since 1990.”); see also Gugliuzza, *supra* note 3, at 280.

6. See generally Steven M. Zager et al., *An Overview, a Summary, and an Update to the Latest Patent Reform*, INTELL. PROP. & TECH. L.J., Sept. 2015, at 3, 3; Thomas H. Kramer, Note, *Proposed Legislative Solutions to the Non-Practicing Entity Patent Assertion Problem: The Risks for Biotechnology and Pharmaceuticals*, 39 DEL. J. CORP. L. 467, 469 (2014) (describing the “patent troll” litigation that has become a significant concern “over the last few years”).

7. See generally, e.g., Jennifer H. Burdman & William J. Sauers, *The State of Patent Law: The Interplay of Recent, Pending, and Proposed Changes*, INTELL. PROP. & TECH. L.J., Oct. 2015, at 1, 9 (discussing the various proposed and implemented measures to curb patent litigation abuse).

8. This Rule will be referred to as the “Proposed Rule.” That being said, this Rule may actually need to take the form of more than one rule if it were formally adopted.

standard paired with specific rules for infringement contentions.<sup>9</sup> Its goal is to address one aspect of direct patent infringement cases that has enabled patent trolls to bring vague and meritless suits,<sup>10</sup> without going so far as to prevent certain meritorious plaintiffs from enforcing their patent rights.<sup>11</sup> The Proposed Rule is envisioned as being most useful as part of what several scholars have already advocated for: a set of Federal Rules of Patent Procedure.<sup>12</sup> A uniform set of rules would serve to reinstate uniformity across all districts—an important principle of U.S. patent law and procedure in federal courts, and something that has been eroded by the various local procedural rules that substantively affect patent cases.<sup>13</sup> Ultimately, the Proposed Rule, as part of a comprehensive set of federal rules, would preserve uniformity by superseding the various local patent rules that require early disclosures of patent infringement contentions.<sup>14</sup>

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9. Although this Note focuses on claims for direct patent infringement, the principles that inform this discussion could be applied to other issues in patent cases, such as indirect infringement, which requires a showing of direct infringement. *See, e.g.,* *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 & n.3 (2014) (“[O]ur case law leaves no doubt that inducement liability may arise ‘if, but only if, [there is] ... direct infringement.’” (second and third alterations in original) (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961))); *see also* 35 U.S.C. § 271(a) (2012).

10. *See* Moore, *supra* note 1, at 484-89 (describing how notice pleading enables abusive patent litigation tactics).

11. *See, e.g.,* Gugliuzza, *supra* note 3, at 288-91 (claiming that Congress’s proposed solution would cause unnecessary additional litigation).

12. *See* Megan M. La Belle, *The Local Rules of Patent Procedure*, 47 ARIZ. ST. L.J. 63, 67 (2015); *see also, e.g.,* Megan Woodhouse, Note, *Shop ‘til You Drop: Implementing Federal Rules of Patent Litigation Procedure to Wear Out Forum Shopping Patent Plaintiffs*, 99 GEO. L.J. 227, 230 (2010). Others disagree and have argued that district courts should be laboratories of experimentation. *See, e.g.,* Jeanne C. Fromer, *District Courts as Patent Laboratories*, 1 U.C. IRVINE L. REV. 307, 308 (2011); Lisa Larrimore Oullette, *Patent Experimentalism*, 101 VA. L. REV. 65, 69 (2015).

13. *See* La Belle, *supra* note 12, at 82 (claiming the local rules raise “different and possibly more serious concerns about their impact not only on federal procedure, but on patent policy too”); *see id.* at 84 (“The Federal Circuit was created to bring national uniformity to patent law and to reduce forum shopping in patent litigation.”); *see also* Arthur Gollwitzer III, *Local Patent Rules—Certainty and Efficiency or a Crazy Quilt of Substantive Law?*, ENGAGE, Mar. 2012, at 94, 94 (arguing that the various local rules substantively affect patent cases and go against the uniformity principles of the Rules Enabling Act and Federal Rules of Civil Procedure).

14. It must be noted that the adoption of federal rules for patent procedure is not the only method of achieving uniformity. Indeed, several bills have been discussed in Congress. *See infra* Part II.A. And the recent abrogation of Rule 84 and Form 18 will likely result in more

Part I of this Note gives a big-picture view of patent infringement litigation and discusses issues related to the pleading requirements in modern patent infringement litigation. Part II explores some of the proposed and enacted solutions—including congressional bills, local patent rules, and the abrogation of the Federal Appendix of Forms and Rule 84. Part III explains and advocates for a solution to the pleading requirements and infringement contentions in patent cases by using, among other things, the tort doctrine of *res ipsa loquitur* as a guide to interpreting infringement pleadings. Lastly, this Note discusses how the Proposed Rule strikes a balance that would serve both defendants—by helping protect them from meritless claims—and plaintiffs, by keeping the courts open to meritorious claims.

#### I. PLEADING REQUIREMENTS AND THEIR IMPACT ON PATENT INFRINGEMENT LITIGATION

The following discussion proceeds in three parts. First, it gives a brief background on patent infringement litigation. Second, it discusses how the pleading requirements for complaints in civil cases have been altered by recent Supreme Court decisions. And lastly, it discusses how the traditionally low pleading requirements in patent infringement cases have invited abuse in that field.

##### *A. Background on Patents and Infringement Litigation*

The goal of the patent system is to promote science and the useful arts for society's benefit.<sup>15</sup> The inventor of a novel, useful, and

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uniformity. *See infra* Part II.C. However, because the abrogation of Rule 84 and Form 18 was quite recent and the proposed congressional statutes have not been enacted, the various local patent rules adopted by several district courts have had the largest impact. *See infra* Part II.B. The local rules vary widely across these districts, and many districts have not adopted any official rules for patent cases. *See infra* Part II.B. Lastly, some districts might be inclined to use their local rules as reasons to deny a motion to dismiss, despite the fact that Form 18 no longer controls. *See infra* Part II.C.

15. *See* U.S. CONST. art. I, § 8, cl. 8 (“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”); *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Int’l, Inc.*, 534 U.S. 124, 142 (2001) (“The [public] disclosure required by the Patent Act is ‘the *quid pro quo* of the right to exclude.’” (quoting *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 484 (1974))).

nonobvious invention, which is both definite and directed towards patentable subject matter, can apply to the U.S. Patent and Trademark Office for a utility patent.<sup>16</sup> A patent application, and any resulting patent, must describe the invention with enough detail that a person of ordinary skill in the art could make and use the invention.<sup>17</sup> And though by its nature a patent discloses the invention to the public, the inventor or patentee<sup>18</sup> is given an exclusive twenty-year monopoly on the invention.<sup>19</sup>

The monopoly granted by a patent is a right to exclude.<sup>20</sup> A patentee is given “the right to exclude others from making, using, offering for sale, or selling” devices, apparatuses, processes, and/or methods covered by their patent.<sup>21</sup> And the primary means of enforcing these rights is through litigation: a patentee files a complaint alleging patent infringement.<sup>22</sup>

The courts look to the claims of a patent when determining whether a certain product infringes.<sup>23</sup> At the end of every patent is at least one claim (although often there are several), and each claim has a set of “limitations” or “elements.”<sup>24</sup> The claims dictate the scope of, or describe what is covered by, the patent.<sup>25</sup> And while there are different ways a patent can be infringed—for example, directly versus indirectly, or literally versus under the doctrine of equivalents<sup>26</sup>—this Note focuses on complaints and pleadings of

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16. See 35 U.S.C. §§ 101-103, 112 (2012).

17. *Id.* § 112(a).

18. This Note uses the terms “inventor,” “patentee,” and “owner” interchangeably to refer to the individual or entity that owns, or has been assigned the rights to, a patent.

19. *Id.* § 154(a). This twenty-year period begins running from the date of application, see *id.* § 154(a)(2), unless the issue date is more than three years after actual filing date, in which case the term of the patent is extended one day for each day after the end of that three-year period, see *id.* § 154(b)(1)(B).

20. *Id.* § 154(a)(1).

21. *Id.*; see also *id.* § 271(a).

22. See Moore, *supra* note 1, at 457.

23. See Kyle R. Williams, Note, *Plausible Pleading in Patent Suits: Predicting the Effects of the Abrogation of Form 18*, 22 MICH. TELECOMM. & TECH. L. REV. 317, 320-21 (2016).

24. See *id.* This Note uses the terms “limitations” and “elements” interchangeably.

25. See *id.* at 321 (“For device patents, the elements are typically the device’s individual components, and for process patents, the elements are the particular steps in the patented process.”).

26. See *id.* at 320.



direct infringement for simplicity.<sup>27</sup> Direct infringement occurs when a single individual or entity, without the patentee's permission, "makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent."<sup>28</sup> To succeed on a direct infringement claim, the patentee must show that the accused infringer (or accused instrumentality<sup>29</sup>) practiced, or read on, every element of at least one valid patent claim.<sup>30</sup>

### *B. Background on Pleading Requirements*

From the 1930s until sometime between 2007 and 2009, the pleadings in nearly every civil action under the Federal Rules of Civil Procedure were governed by a "notice pleading" standard.<sup>31</sup> This standard was liberal and in accordance with the principle of giving broad access to justice for plaintiffs in federal court.<sup>32</sup> Under notice pleading, courts were prohibited—at least so far as the Supreme Court had been concerned—from dismissing a claim unless it was clear that there was "no set of facts" that the plaintiff could prove to establish the claim.<sup>33</sup>

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27. The principles discussed in this Note can apply to both direct and indirect infringement because there must be direct infringement for an indirect infringement claim to exist. *See, e.g.,* *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2117 & n.3 (2014) ("[O]ur case law leaves no doubt that ... liability [for indirect infringement] may arise 'if, but only if, [there is] direct infringement.'" (second alteration in original) (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 341 (1961))). And although the doctrine of equivalents is virtually never successfully used, the concepts discussed herein can be applied to this method of infringement because it is simply another way an accused instrumentality can directly infringe a patent: instead of literally reading on each element, the accused instrumentality practices each element's equivalent. *See, e.g.,* *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 732-33 (2002).

28. 35 U.S.C. § 271(a) (2012).

29. This Note uses the terms "accused instrumentality," "accused product," and "accused device" (and their plurals) interchangeably.

30. Williams, *supra* note 23, at 320-21.

31. *See id.* at 321-22, 328-29.

32. *See* A. Benjamin Spencer, *Understanding Pleading Doctrine*, 108 MICH. L. REV. 1, 2 (2009).

33. *Id.* at 4-5 (quoting *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957)).

The Supreme Court, in two recent decisions, clarified that complaints must state a plausible claim for relief,<sup>34</sup> overruling the notice pleading standard and “no set of facts” test from *Conley v. Gibson*, a 1957 decision.<sup>35</sup> In *Bell Atlantic Corp. v. Twombly*, the Court explained that Rule 8(a) requires a complaint to be “plausible on its face.”<sup>36</sup> In *Ashcroft v. Iqbal*, the Court reaffirmed *Twombly*, explaining that it applies to all civil actions.<sup>37</sup> Moreover, the Court held that a complaint is plausible “when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.”<sup>38</sup>

Determining whether a complaint states a plausible claim is “a context-specific task.”<sup>39</sup> First, a court considering a motion to dismiss begins by identifying pleadings that are legal conclusions: legal conclusions “are not entitled to the assumption of truth.”<sup>40</sup> Second, the court considers whether the remaining factual allegations “plausibly give rise to an entitlement to relief.”<sup>41</sup>

After these two cases, it was unclear whether the notice pleading standard still existed.<sup>42</sup> Many scholars and practitioners felt that it

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34. See *Ashcroft v. Iqbal*, 556 U.S. 662 (2009); *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007).

35. Spencer, *supra* note 32, at 5; see also Adam Steinmetz, Note, *Pleading Patent Infringement: Applying the Standard Established by Twombly and Iqbal to the Patent Context*, 13 COLUM. SCI. & TECH. L. REV. 482, 483, 485 (2012) (“The Supreme Court officially retired *Conley*’s ‘no set of facts’ language, holding instead that pleading requires ‘enough facts to state a claim to relief that is plausible on its face.’” (quoting *Twombly*, 550 U.S. at 562-63, 570)).

36. *Twombly*, 550 U.S. at 570; see also *id.* at 555-56 (discussing FED. R. CIV. P. 8(a)). In *Twombly*, the Court found that a complaint alleging violations of antitrust laws was lacking and thus subject to dismissal for failing to state a claim because the complaint lacked facts suggesting an agreement between various telecommunication companies to restrain trade or commerce. See *id.* at 548-49, 555-57, 564-70. Such an agreement was necessary for liability; independent, parallel action was insufficient under the relevant statute. See *id.*

37. *Iqbal*, 556 U.S. at 684. In *Iqbal*, the Court found deficient a complaint alleging that Iqbal was unconstitutionally detained in overly restrictive conditions due to his race, religion, or national origin because the complaint lacked facts suggesting that the defendants did so purposefully. See *id.* at 682-84. It was just as plausible that, in the aftermath of the September 11 terrorist attacks, the defendants’ actions were constitutional and motivated by their desire to keep suspected terrorists in the most secure conditions available until the suspects could be cleared of terrorist activity. See *id.*

38. *Id.* at 678 (citing *Twombly*, 550 U.S. at 556).

39. *Id.* at 679.

40. *Id.*

41. *Id.*

42. See, e.g., Spencer, *supra* note 32, at 6 (“[T]he *Twombly* Court affirmed that ‘a complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual

did not, suggesting that these decisions created a “heightened pleading” standard.<sup>43</sup> After *Twombly*, some lower courts flatly indicated that heightened pleading requirements were now required, while others continued to employ the old “no set of facts” test to scrutinize complaints.<sup>44</sup> After *Iqbal*, however, it was clear that the “plausibility” standard applied in all civil cases, and Form 18, along with the several others, were likely in conflict because these forms were developed under the notice pleading regime.<sup>45</sup>

### *C. The Problems Created by Traditional Pleading Requirements in Patent Infringement Litigation*

The traditional pleading requirements for patent infringement enabled substantial abusive litigation by patent trolls. First, the traditionally low pleading requirements for infringement cases, which provided the standard for complaints of direct patent infringement until Form 18 and Rule 84 were abrogated on December 1, 2015, were inconsistent with the plausibility standard of *Twombly* and *Iqbal*. Second, these low standards invited abusive litigation tactics, namely, “nuisance-value patent suits.”<sup>46</sup>

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allegations,’ but then wrote that ‘[f]actual allegations must be enough to raise a right to relief above the speculative level’ and ‘a complaint must allege facts suggestive of illegal conduct.’” (second alteration in original) (footnotes omitted) (quoting *Twombly*, 550 U.S. at 555, 564 n.8)). Spencer further explains that although requiring facts in the pleadings “seems akin to particularized fact pleading of the kind previously thought not compelled by Rule 8, the Court [noted] that ‘we do not require heightened fact pleading of specifics.’” *Id.* (quoting *Twombly*, 550 U.S. at 570).

43. See, e.g., Kevin M. Clermont & Stephen C. Yeazell, *Inventing Tests, Destabilizing Systems*, 95 IOWA L. REV. 821, 832-33 (2010); Jeremiah J. McCarthy & Matthew D. Yusick, *Twombly and Iqbal: Has the Court “Messed up the Federal Rules?”* 4 FED. CTS. L. REV. 121, 126-130 (2011); Justin Olson, Note, *If It (Ain’t) Broke, Don’t Fix It: Twombly, Iqbal, Rule 84, and the Forms*, 39 SEATTLE U. L. REV. 1375, 1381 (2016) (noting that *Iqbal*’s two-part test rested on language “noticeably absent” from Rule 8 and “creat[ed] greater unpredictability for litigants contrary to the ‘simplicity and brevity’ envisioned under Rule 84” (quoting FED. R. CIV. P. 84)); see also, e.g., Gugliuzza, *supra* note 3, at 288-91 (“Applying the *Twombly/Iqbal* standard will modestly increase the amount of detail required in a complaint for direct patent infringement.”).

44. See Spencer, *supra* note 32, at 7-8.

45. See Steinmetz, *supra* note 35, at 488; see also Spencer, *supra* note 32, at 12.

46. See Sudarshan, *supra* note 1, at 159.

Since the Supreme Court's holdings in *Twombly* and *Iqbal* imposed a heightened pleading requirement in civil cases,<sup>47</sup> the pleading requirements for patent infringement cases have faced much scrutiny.<sup>48</sup> Prior to December 1, 2015—when Form 18 and Rule 84 were abrogated<sup>49</sup>—complaints alleging direct patent infringement were subject only to the bare-bones requirements of Form 18. Form 18 was a model complaint for direct patent infringement that was included in the Federal Appendix of Forms.<sup>50</sup> In general terms, Form 18 required:

- (1) an allegation of jurisdiction; (2) a statement that the plaintiff owns the patent[(s) at issue]; (3) a statement that [the] defendant has been infringing the patent[(s)] “by making, selling, and using [the device] embodying the patent”; (4) a statement that the plaintiff has given the defendant notice of its infringement; and (5) a demand for an injunction and damages.<sup>51</sup>

Moreover, thanks to Rule 84's safe-harbor provision—“[t]he forms in the Appendix suffice under these rules and illustrate the simplicity and brevity that these rules contemplate”<sup>52</sup>—a complaint for direct patent infringement would survive a Rule 12(b)(6) motion to

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47. See *supra* Part I.B.

48. See, e.g., Moore, *supra* note 1, at 497 (explaining that the “minimal requirements” of Form 18 conflict with *Twombly* and *Iqbal*, which require pleadings to be “plausible”); see also, e.g., J High, *Patent Suit Pleading Standards Must Be Conformed to Supreme Court Precedents*, LEGAL BACKGROUNDER (Wash. Legal Found., D.C.), Oct. 5, 2012, at 1, 1 (discussing how, in the wake of *Twombly* and *Iqbal*, it was unclear whether the heightened pleading requirement applied to claims for patent infringement). But see Andrew C. Michaels, *An Infamous Illustration of Patent Infringement Pleading: Form 18 and Context-Specificity*, 19 B.U. J. SCI. & TECH. L. 286, 289 (2013) (arguing that Form 18 is consistent with the “context specific” inquiry required under *Twombly* and *Iqbal* because, although it illustrates an infringement complaint for a very simple patent, it could be read to require more information for more complicated patents).

49. See Williams, *supra* note 23, at 318-19, 321-22, 331-34, 338-39; see also FED. R. CIV. P. 84 (repealed 2015); FED. R. CIV. P. app. Form 18 (repealed 2015).

50. Form 18 and Rule 84 were abrogated in a 2015 amendment to the Federal Rules of Civil Procedure, effective December 1, 2015. See Williams, *supra* note 23, at 318-19, 321-22, 331-34, 338-39; see also FED. R. CIV. P. 84 (repealed 2015); FED. R. CIV. P. app. Form 18 (repealed 2015).

51. R+L Carriers, Inc. v. DriverTech LLC (*In re* Bill of Lading Transmission & Processing Sys. Patent Litig.), 681 F.3d 1323, 1334 (Fed. Cir. 2012) (fourth alteration in original) (quoting *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1357 (Fed. Cir. 2007)); see also FED. R. CIV. P. app. Form 18 (repealed 2015).

52. FED. R. CIV. P. 84 (repealed 2015).

dismiss so long as it contained these five simple allegations.<sup>53</sup> Notably absent from Form 18 was any substantial requirement for facts that demonstrate how the identified product(s) plausibly infringe the asserted patent.<sup>54</sup>

Indeed, prior to its abrogation, the Federal Circuit acknowledged the potential conflict between Form 18 and *Twombly* and *Iqbal*.<sup>55</sup> In reversing a district court's dismissal of a complaint for direct patent infringement, the Federal Circuit explained that "to the extent the parties argue that *Twombly* and its progeny conflict with the Forms and create differing pleadings requirements, the Forms control."<sup>56</sup>

Prior to the abrogation of Rule 84 and Form 18, a plaintiff could avoid dismissal without alleging any substantive facts.<sup>57</sup> Even if the complaint lacked facts establishing how the accused product practices each element of the asserted patent claim or claims—the very facts required to prevail at trial in an infringement case—a plaintiff would survive a motion to dismiss for failure to state a claim.<sup>58</sup> These minimal pleading standards allowed plaintiffs to get into court with little to no pre-suit investigation costs, and they could thus virtually always subject a defendant to burdensome discovery.<sup>59</sup> Accordingly, "nuisance-value" patent suits became a viable business plan.<sup>60</sup>

The low pleading requirements under Form 18 and the high costs of defense mean that plaintiffs in patent cases have historically

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53. The Federal Circuit has repeatedly held that a complaint for direct patent infringement that tracks the language of the Form cannot be successfully attacked on a motion to dismiss. See, e.g., *In re Bill of Lading Transmission*, 681 F.3d at 1334 ("The language of Rule 84 and the Advisory Committee Notes 'make clear that a pleading, motion, or other paper that follows one of the Official Forms cannot be successfully attacked.'" (quoting 12 CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 3162 (2d ed. 1997))); see also FED. R. CIV. P. 12(b)(6).

54. Yoonhee Kim, Note, *Reconciling Twombly and Patent Pleadings Beyond the Text of Form 18*, 13 CHI.-KENT J. INTELL. PROP. 511, 519 (2014) ("Form 18 provides no specifics of *how* that device is infringing which *claim* of the patent.").

55. See *In re Bill of Lading Transmission*, 681 F.3d at 1334.

56. *Id.* at 1334 (citing *McZeal*, 501 F.3d at 1360 (Dyk, J., concurring in part and dissenting in part)).

57. See Gugliuzza, *supra* note 3, at 284.

58. See *id.*

59. See Moore, *supra* note 1, at 484-86.

60. See Sudarshan, *supra* note 1, at 160 ("[A] litigation cost imbalance [in patent suits] ... favors plaintiffs over defendants.").

been in a position of power.<sup>61</sup> For one, discovery costs are particularly high in patent cases.<sup>62</sup> In a recent study on the costs of discovery in patent cases, “costs through the end of discovery were consistently reported as between 50% and 60% of total litigation costs.”<sup>63</sup> In contrast, a separate study on the costs of civil litigation found that, in the median civil case, the discovery costs amounted to 20% (for plaintiffs) and 27% (for defendants) of the total litigation costs.<sup>64</sup> Although the disparity in discovery costs is not prevalent when patent cases are compared solely with civil cases of similarly high-stakes awards, these extreme costs cannot be ignored.<sup>65</sup> Ultimately, because of the substantial awards at stake<sup>66</sup> and the heavy costs of the expansive discovery in such cases, patent litigation is catastrophically expensive.<sup>67</sup>

On the other hand, plaintiffs in patent cases have the potential for large monetary judgments; therefore, they can employ counsel on a contingency fee basis.<sup>68</sup> Moreover, because defendants in patent cases “tend to possess ‘the bulk of the relevant evidence,’ they have higher discovery costs than the patent holder.”<sup>69</sup> Indeed, patent trolls “normally are small operations focused just on licensing and litigation that have few relevant witnesses, documents, or other evidence,”<sup>70</sup> and patent trolls “traditionally sue a large number of defendants with very vague infringement contentions in their

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61. See Moore, *supra* note 1, at 488-89 (noting that defendants are “forced to decide between settl[ing] and incurring” significant discovery expenses).

62. See Greg Reilly, *Linking Patent Reform and Civil Litigation Reform*, 47 LOY. U. CHI. L.J. 179, 198 (2015).

63. *Id.*

64. *Id.*

65. See *id.* at 199 (“Discovery in patent litigation is on par with discovery in other civil litigation of similar stakes.... Patent litigation is just one example of this ‘small subset’ of ‘complex, contentious, high stakes cases’ where discovery is widely seen as problematic.”).

66. See Moore, *supra* note 1, at 465.

67. See *id.* at 459 (“According to the American Intellectual Property Law Association, the legal costs of a patent infringement action range from \$600,000 to \$5 million, depending on the patentee’s potential recovery.”); Sudarshan, *supra* note 1, at 173 (“In cases with more than \$25 million at risk, the litigation costs were almost \$4 million in 2003.”).

68. See Moore, *supra* note 1, at 466; see also Sudarshan, *supra* note 1, at 165-66.

69. Reilly, *supra* note 62, at 196 (quoting *In re Genentech, Inc.*, 566 F.3d 1338, 1345 (Fed. Cir. 2009)).

70. *Id.*

complaint.”<sup>71</sup> These aspects, paired with traditionally low pleading requirements, substantially lowered the costs of bringing suit,<sup>72</sup> causing a severe imbalance in the costs associated with patent litigation between plaintiffs and defendants.<sup>73</sup> As a result, many defendants have found it more economically responsible to “opt for the ‘nuisance’ settlement, even in the face of meritorious defenses.”<sup>74</sup>

## II. CONGRESSIONAL BILLS, LOCAL PATENT RULES, AND THE ABROGATION OF RULE 84 AND FORM 18

As a result of the cost imbalance inherent in the patent cases discussed above, many solutions have been proposed and some have been implemented to curb patent troll lawsuits. Most of the proposed and implemented changes call for, among other things,<sup>75</sup> reforming and increasing the pleading requirements for patent infringement cases.<sup>76</sup> The idea is that increasing the pleading standards would help curb nuisance lawsuits by requiring would-be plaintiffs to expend additional resources to conduct more thorough pre-suit investigations or face dismissal for failing to state a claim upon which relief can be granted.<sup>77</sup> The various proposed and implemented solutions include: congressional bills that would

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71. Ryan Hauer, *Another Attempt at Patent Reform: S.1013 The Patent Abuse Reduction Act of 2013*, 24 DEPAUL J. ART, TECH. & INTELL. PROP. L. 367, 388-89 (2014).

72. See Moore, *supra* note 1, at 464-69, 484-86; see also ADAM B. JAFFE & JOSH LERNER, INNOVATION AND ITS DISCONTENTS: HOW OUR BROKEN PATENT SYSTEM IS ENDANGERING INNOVATION AND PROGRESS, AND WHAT TO DO ABOUT IT 152 (2007).

73. See Moore, *supra* note 1, at 466-67, 484-89 (describing how the simple pleading requirements lower costs for plaintiffs significantly); see also Hauer, *supra* note 71, at 388 (“While the initial costs of filing a suit are low for plaintiffs, the suit’s starting costs are inversely high for defendants.”).

74. Sudarshan, *supra* note 1, at 160.

75. Most, if not all, of the proposed (and implemented) changes address other areas for reform beyond the pleading requirements, including those briefly discussed above. See *supra* note 6 and accompanying text; see also Gugliuzza, *supra* note 3, at 283-87 (discussing potential reforms in the areas of discovery, fee-shifting, and suits against end users). However, a further detailed discussion of these additional and supplementary options for reform is beyond the scope of this Note.

76. See Gugliuzza, *supra* note 3, at 283-85.

77. See Hauer, *supra* note 71, at 387-89; Moore, *supra* note 1, at 494-95.

amend the federal patent law, local procedural rules for patent cases, and the abrogation of the Appendix of Forms and Rule 84.<sup>78</sup>

In the past few years, there have been several proposed congressional bills aimed at the patent troll problem.<sup>79</sup> Most of these proposed statutes call for heightened pleading requirements.<sup>80</sup> However, the heightened pleading requirements in these bills might go too far in the other direction by making it too difficult for meritorious plaintiffs to get into court.<sup>81</sup>

On the other hand, most of the changes that have actually been enacted have been at the local level in the form of various local procedural rules for patent cases.<sup>82</sup> Although the various local rules that have been adopted generally do not directly alter the pleading standards, they all provide for early disclosure of infringement contentions, which some consider to “function as de facto heightened pleading standards.”<sup>83</sup> As a result, these local procedural rules can substantively affect the result of patent cases.<sup>84</sup> And because not all

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78. See *infra* Parts II.A-C. See generally Gugliuzza, *supra* note 3, at 288-91 (describing potential reforms to pleading requirements).

79. See Gugliuzza, *supra* note 3, at 283-87; Zager et al., *supra* note 6, at 3.

80. See, e.g., Patent Abuse Reduction Act of 2013, S. 1013, 113th Cong. (2013); Innovation Act, H.R. 3309, 113th Cong. (2013).

81. See Gugliuzza, *supra* note 3, at 291-92 (claiming the proposed bills “may invite additional and unnecessary litigation at the pleading stage”); see also Curtin, *supra* note 2, at 66-73, 77 (noting that raising pleading standards for all plaintiffs might make it difficult to enforce certain kinds of patents); Brian Fung, *Who’s Behind the Last-Minute Push to Thwart Patent Reform?*, WASH. POST (May 21, 2014), [https://www.washingtonpost.com/news/the-switch/wp/2014/05/21/whos-behind-the-last-minute-push-to-thwart-patent-reform/?utm\\_term=.d5247f6a4ae0](https://www.washingtonpost.com/news/the-switch/wp/2014/05/21/whos-behind-the-last-minute-push-to-thwart-patent-reform/?utm_term=.d5247f6a4ae0) [<https://perma.cc/BYG2-LFYE>] (“Many of the provisions [in the proposed legislation] would have the effect of treating every patent holder as a patent troll.”); cf. Jeffrey I.D. Lewis & Art C. Cody, *Unscrambling the Egg: Pre-Suit Infringement Investigations of Process and Method Patents*, 84 J. PAT. & TRADEMARK OFF. SOC’Y 5, 13, 18-19 (2002) (discussing the public policies behind the different notice requirements contained within sections of the Process Patents Act).

82. See La Belle, *supra* note 12, at 76-78. See generally Gugliuzza, *supra* note 3, at 289-92 (discussing the various local patent rules in place throughout the United States).

83. La Belle, *supra* note 12, at 105 (noting that although New Hampshire is alone in explicitly modifying its pleading standard for patent cases, every district with local rules requires early disclosure of infringement contentions); see also *Tyco Fire Prods. LP v. Victaulic Co.*, 777 F. Supp. 2d 893, 904 (E.D. Pa. 2011) (explaining that using local patent rules to alter pleading requirements “offends the trans-substantive character of federal procedure” (citing FED. R. CIV. P. 1)). See generally High, *supra* note 48 (suggesting that patent suit pleading standards should conform to Supreme Court precedents on pleading).

84. See Gollwitzer, *supra* note 13, at 95-97 (discussing how the various local rules can result in “case-dispositive differences”); see also Joseph E. Cwik, *Local Patent Rules and Their*



districts have adopted local rules, and because the rules are not uniform across the districts that have,<sup>85</sup> the uniformity principles embodied in the Federal Rules of Civil Procedure and U.S. Patent Law are underserved.

Most recently, Rule 84 and the Federal Appendix of Forms were abrogated, effective December 1, 2015.<sup>86</sup> This change should lead to more uniformity across the districts and might render the proposed bills unnecessary. However, the removal of the Form 18 standard will not have the same preemptive effect as putting into place a specific infringement standard. For example, the district courts with local patent rules that require early disclosure of infringement contentions are likely to treat pleadings more leniently than those without such local procedural rules, even though the pleading requirements now require more detail.

#### *A. Proposed Congressional Changes for Pleading Requirements in Patent Cases*

Recently, there have been several proposed solutions in the two houses of Congress. Most of these proposals called for, among other things, “heightened” pleading requirements and the elimination of Form 18.<sup>87</sup> Because this Note focuses on the pleading requirements for direct patent infringement, the following discussion will be limited to the proposed statutes that provide for heightened pleading requirements and the impact thereof.<sup>88</sup> Moreover, because all of the proposed bills that call for heightened pleading requirements provide for standards that are substantially the same as those

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*Impact on Patent Litigation*, ASPATORE, 2012 WL 1670113, at \*3 (2012).

85. See Moore, *supra* note 1, at 505.

86. Letter from John G. Roberts, Chief Justice, Supreme Court of the United States, to John A. Boehner, Speaker, House of Representatives, attachment at 1, 28 (Apr. 29, 2015), <https://perma.cc/2BKN-6F84>; see Gugliuzza, *supra* note 3, at 288 (explaining that these rule changes align pleading requirements in patent cases with federal procedure); Williams, *supra* note 23, at 318.

87. See, e.g., Patent Abuse Reduction Act of 2013, S. 1013, 113th Cong. § 2(a), (c) (2013); Innovation Act, H.R. 3309, 113th Cong. §§ 3(a), 6(c) (2013). These bills were proposed before Form 18 and the Federal Appendix of Forms were abrogated.

88. The proposed bills are intended to address the several perceived downfalls of the current patent system. For a summary of some of the proposals, see Zager et al., *supra* note 6, at 4-5. For a critique of certain proposals, see Gugliuzza, *supra* note 3, at 288-97.

provided in the House’s proposed Innovation Act,<sup>89</sup> this discussion will use the Innovation Act as an illustration and will note any substantial differences in the other bills as necessary.

### 1. *The Innovation Act as an Example*

House Bill 3309—also known as the Innovation Act—was a proposed amendment to Title 35 of the U.S. Code.<sup>90</sup> If enacted, the Innovation Act would have altered many aspects of patent litigation.<sup>91</sup> Of particular interest to this Note are the proposed pleading standards for patent infringement that the Innovation Act would have required. In addition to the general requirements of Form 18, the Innovation Act would have required plaintiffs to: (1) identify each claim of each patent that is allegedly infringed;<sup>92</sup> (2) identify, for each claim given, each “accused instrumentality”<sup>93</sup> that allegedly infringes; and (3) provide, if known, “the name or model number of each accused instrumentality,” or, “if there is no name or model number, a description of each accused instrumentality.”<sup>94</sup>

In addition to this modest increase in required information, the Innovation Act would have also required the pleadings to provide, for each accused instrumentality, a clear statement of: (1) “where each element of each claim ... is found within the accused instru-

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89. Compare H.R. 3309 § 3(a)(1), with Protecting American Talent and Entrepreneurship Act of 2015, S. 1137, 114th Cong. § 3(b) (2015), and Support Technology and Research for Our Nation’s Growth Patents Act of 2015, S. 632, 114th Cong. §§ 101(11), 106 (2015) (noting the changes to the Federal Rules of Civil Procedure, which were scheduled to take effect in December 2015, and providing that Form 18—if still in existence—shall be eliminated within one year of enactment of the Act, but not providing specific pleading requirements), and Patent Litigation and Innovation Act of 2013, H.R. 2639, 113th Cong. § 2(a) (2013), and S. 1013 § 2(a).

90. H.R. 3309 § 3(a)(1). The Bill passed the House but has not moved any further in the process. See *id.*

91. The Innovation Act would alter many aspects of patent litigation, such as altering the fee shifting mechanism, limiting discovery, requiring additional disclosure, and setting out circumstances that, if met, would trigger an automatic stay of actions against customers. See *id.* §§ 3(b), 3(d), 4(a), 5(a). See generally Gugliuzza, *supra* note 3, at 283-87 (discussing the reform bills introduced in the 113th Congress).

92. That is, language such as “the defendant infringes at least claim 1 of the plaintiff’s patent” would be sufficient for claim 1 only.

93. An accused instrumentality is the “process, machine, manufacture, or composition of matter.” H.R. 3309 § 3(a)(3).

94. *Id.* § 3(a)(4).

mentality;” and (2) how, “with detailed specificity, ... each limitation of each claim ... is met by the accused instrumentality.”<sup>95</sup>

If the Innovation Act had been enacted, the proposed pleading standards would have posed a drastically higher burden for plaintiffs than those required in the Form 18 era.<sup>96</sup> Moreover, these standards would have very likely required more detail than what most district courts have required since plausibility pleading became the controlling standard.<sup>97</sup>

Moreover, the specific standard requiring a statement of where and how each element is practiced by the accused instrumentality appears to be the equivalent of the infringement contentions that are required under various local patent rules, such as those in the Northern District of California and the Eastern District of Texas.<sup>98</sup> Requiring what are effectively infringement contentions to be included with the complaint would be a deviation from those districts, however, because neither district requires the preliminary infringement contentions to be included in the complaint.<sup>99</sup> If the Innovation Act (or substantial equivalent) were to become law, it would, presumably, supersede such local rules.<sup>100</sup>

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95. *Id.* § 3(a)(5). The pleading requirements also demand other information, such as a description of the plaintiff's principal business and a list of other lawsuits in which the same patent is being asserted. *Id.* § 3(a)(8)-(9). However, any omitted requirements are beyond the scope of this Note.

96. See Gugliuzza, *supra* note 3, at 288-89.

97. *Id.* at 289 (“Applying the *Twombly/Iqbal* standard will modestly increase the amount of detail required in a complaint for direct patent infringement. The recent legislative proposals, by contrast, would effect a dramatic leap from the minimal requirements of Form 18 to a requirement that plaintiffs plead ‘with detailed specificity’ how the defendant infringes.” (quoting H.R. 3309 § 3(a)(5)(B))).

98. Compare H.R. 3309 § 3(a)(5) (requiring a showing of where *and how* each element of each asserted claim is found within the accused instrumentality), with N. DIST. OF CAL., PATENT L.R. 3-1(c) (requiring a chart showing where each element of each asserted claim is found within each accused instrumentality), and E. DIST. OF TEX., PATENT L.R. 3-1(c) (requiring the same information as Northern District of California). Notably, and in contrast to the Innovation Act, the Local Rules for the Northern District of California and the Eastern District of Texas do not require an explanation of *how* the accused instrumentality practices each element. See *infra* Part II.C.

99. See N. DIST. OF CAL., PATENT L.R. 3-1 (requiring disclosure of asserted claims and infringement contentions no later than fourteen days after the Initial Case Management Conference); E. DIST. OF TEX., PATENT L.R. 3-1 (requiring disclosure of infringement contentions no later than ten days before the Initial Case Management Conference).

100. See U.S. CONST. art. VI, cl. 2 (“[T]he Laws of the United States ... shall be the supreme Law of the Land.”); cf. La Belle, *supra* note 12, at 68 (“For example, the Innovation Act heightens the pleading standard for patent cases and bifurcates discovery, but is silent as to

The strict pleading requirements given in the Innovation Act would likely have gone too far, however. Requiring the pleadings to give “*detailed specificity*” as to “where” and, particularly, “*how*” each limitation of each asserted claim is practiced by the accused instrumentality<sup>101</sup> carries a serious risk of closing the courthouse doors to plaintiffs with legitimate infringement claims.<sup>102</sup> This risk is quite likely when a plaintiff’s patent covers, for example, manufacturing or software processes or methods, because often such processes or methods are done behind closed doors.<sup>103</sup> Plaintiffs in those types of situations would need discovery to fully develop an infringement theory.<sup>104</sup> And although the Innovation Act would have “excuse[d] plaintiffs from pleading the required facts if the relevant information “[wa]s not reasonably accessible,” this might have simply created more confusion.<sup>105</sup> A court faced with such a situation would have “to look beyond the pleadings to determine whether the plaintiff ha[d] neglected to include in its complaint information about the defendant’s acts of infringement that the plaintiff could ‘reasonably’ have obtained.”<sup>106</sup> Ultimately, without providing a better mechanism for courts to deal with complaints that allege secretive infringement, the Innovation Act’s heightened pleading requirements would have likely gone too far, making it too difficult for meritorious plaintiffs to survive a motion to dismiss.

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how these new procedures will interact with local patent rules.”).

101. H.R. 3309 § (3)(a)(5) (emphasis added).

102. See Gugliuzza, *supra* note 3, at 290-91 (claiming patent holders with legitimate claims may be unable to plead with sufficient specificity under the proposed rules).

103. *Id.* at 290 (“Some patent holders with legitimate infringement claims may be unable to provide the required specificity because patent infringement often occurs in secret, for instance, in research-and-development or production facilities to which the patent holder does not have access.”).

104. *See id.*

105. *Id.* at 291 (quoting H.R. 3309 § 3(a)). Notably, neither House Bill 2639 nor Senate Bill 1013 provide this exception. Instead, they merely include the words “if known” as a modifier to the paragraph requiring the identification of the name or model number of the accused instrumentality. *See* Patent Litigation and Innovation Act of 2013, H.R. 2639, 113th Cong. § 2(a)(4) (2013); Patent Abuse Reduction Act of 2013, S. 1013, 113th Cong. § 2(a)(4) (2013).

106. Gugliuzza, *supra* note 3, at 291 (quoting H.R. REP. NO. 113-279, at 106 (2013)).

### *B. Local Patent Rules*

The following discussion proceeds in three parts. First, it gives background information on local patent rules. Second, it briefly discusses how the various local rules—focusing on infringement contentions—streamline patent procedure. And third, it discusses how substantively different results can occur in each locality. Each Section uses various districts as examples—both those districts with rules and those without.

#### *1. Background on Local Patent Rules*

Patent cases can present unique challenges. As a result, district courts across the country have adopted local procedural rules for patent cases. The Northern District of California was the first district to do so when it adopted its Patent Local Rules.<sup>107</sup> Since then, at least twenty-nine other districts have followed suit.<sup>108</sup> However, not all districts have adopted local patent rules.<sup>109</sup> Several patent “hot spots,” namely the Central District of California, the District of Delaware, the Southern District of Florida, and the Eastern District of Virginia, do not have official local patent rules.<sup>110</sup>

Although the various local patent rules vary significantly in substance and scope,<sup>111</sup> “every district court with local patent rules requires early disclosure of infringement contentions.”<sup>112</sup> These preliminary infringement contentions function similarly to, and effectively supplement, the complaint in many districts.<sup>113</sup> Generally speaking, an infringement contention must specify each claim of

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107. James Ware & Brian Davy, *The History, Content, Application and Influence of the Northern District of California's Patent Local Rules*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 965, 979 (2009).

108. See La Belle, *supra* note 12, at 65. Rule 83 authorizes district courts to adopt local rules governing their practice as long as they are consistent with, but do not duplicate, the Federal Rules. See FED. R. CIV. P. 83.

109. La Belle, *supra* note 12, at 95-96.

110. *Id.*

111. *Id.* at 88.

112. *Id.* at 105.

113. See Gollwitzer, *supra* note 13, at 95-97 (noting that in some localities, patent holders “must provide infringement contentions within days of the initial case status conference”); La Belle, *supra* note 12, at 104-07 (claiming local disclosure requirements function as “de facto heightened pleading standards”).

each patent that is allegedly infringed; name or describe each accused instrumentality; and show, through the use of a chart, where each element of each asserted claim is found within each accused instrumentality.<sup>114</sup> In many districts these contentions are required early on in the process, often before any meaningful discovery has taken place.<sup>115</sup> Accordingly, such local rules requiring early disclosure of infringement contentions often function as de facto pleading standards.<sup>116</sup>

The goal of the various local patent rules—especially those requiring early disclosure of infringement contentions—is to streamline complex patent cases by requiring parties to crystallize their theories early on in the case.<sup>117</sup> This results in narrower and more focused discovery, which lowers the cost and improves the pace of patent litigation.<sup>118</sup>

However, these infringement contention requirements (or lack thereof) can substantively affect the outcome of patent cases.<sup>119</sup> Exactly when the infringement contentions must be disclosed, as well as the level of detail required therein, varies across the districts.<sup>120</sup> Moreover, not all districts have local rules governing patent cases.<sup>121</sup> These differences result in discrepancies across the

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114. See, e.g., N. DIST. OF CAL., PATENT L.R. 3-1; E. DIST. OF TEX., PATENT L.R. 3-1(a)-(c). Counterclaims for invalidity are subject to similar requirements. See, e.g., N. DIST. OF CAL., PATENT L.R. 3-3; E. DIST. OF TEX., PATENT L.R. 3-3. The issues created in that area, however, are beyond the scope of this Note.

115. See Gollwitzer, *supra* note 13, at 96; La Belle, *supra* note 12, at 96. In some districts, however, these contentions are not required until considerably later in the process. See La Belle, *supra* note 12, at 96. The local rules that require early disclosure most closely imitate pleading requirements. See *id.* at 105.

116. Gollwitzer, *supra* note 13, at 95-97; La Belle, *supra* note 12, at 104-07.

117. See, e.g., Cwik, *supra* note 84, at \*1-3; La Belle, *supra* note 12, at 98.

118. See Cwik, *supra* note 84, at \*1-3. The various local rules govern many other aspects of patent litigation. See generally La Belle, *supra* note 12, at 96-99 (discussing the various ways local patent rules govern substantive patent law in their jurisdictions). However, these additional aspects and their implications are beyond the scope of this Note.

119. See Cwik, *supra* note 84, at \*3 (“[C]hoice of venue can be unfortunately outcome determinative, because of the differences in local patent rules.”); Gollwitzer, *supra* note 13, at 96 (discussing how the various local rules—and differing interpretation of such rules—can result in “case-dispositive differences”); La Belle, *supra* note 12, at 99 (discussing how a plaintiff in one case “lost its patent infringement claim by failing to comply with the local patent rules”).

120. See Gollwitzer, *supra* note 13, at 95-97.

121. See La Belle, *supra* note 12, at 95.

districts, offending the uniformity principles of the Federal Rules of Civil Procedure and U.S. Patent Law.<sup>122</sup>

## 2. *The Advantages of Local Rules Requiring Infringement Contentions*

The early disclosure of infringement contentions requires plaintiffs to conduct adequate pre-suit investigations<sup>123</sup> and prevents “shifting sands’ litigation tactics.”<sup>124</sup> Thus, these requirements address the problem that some scholars have pointed to as an enabler of patent litigation abuse.<sup>125</sup> With the need to conduct significant pre-suit investigation in places like the Northern District of California, patent trolls will be less able to file frivolous lawsuits against large corporate defendants in the hopes of a favorable settlement.<sup>126</sup> Rather, with such requirements in place, defendants will not face significant discovery costs unless plaintiffs are able to earn their way to discovery by making sufficiently detailed infringement contentions.<sup>127</sup> In other words, once a plaintiff does raise sufficient infringement contentions, discovery will be more narrowly

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122. See Gollwitzer, *supra* note 13, at 97; La Belle, *supra* note 12, at 102-03.

123. Cwik, *supra* note 84, at \*3 (“One key result of the adoption of local patent rules is that the parties now have to ‘drive their stake in the ground’ as to specific theories asserted.”).

124. *Trans Video Elecs., Ltd. v. Sony Elecs., Inc.*, 278 F.R.D. 505, 510 (N.D. Cal. 2011), *aff’d*, 475 F. App’x 334 (Fed. Cir. 2012).

125. See Moore, *supra* note 1, at 484-89 (discussing how notice pleading lowers costs for plaintiffs, increases costs for defendants, and prevents early dismissal); see also Sudarshan, *supra* note 1, at 172-77 (noting that in nuisance suits the “onus of discovery production” lies largely with defendants); *supra* Part I.C.

126. See Moore, *supra* note 1, at 494-96, 504-05 (discussing how heightened pleading requirements for infringement cases could help curb litigation abuse and admitting that local rules requiring early disclosure have taken a step in this direction, but noting these local rules do not apply everywhere and are not uniform).

127. See, e.g., *Bender v. Maxim Integrated Prods., Inc.*, No. C 09-01152 SI, 2010 WL 2991257, at \*1 (N.D. Cal. July 29, 2010) (“[U]ntil plaintiff meets the burden of providing infringement contentions compliant with Patent L.R. 3-1, the Court will not order defendant to proceed with discovery.” (quoting *Bender v. Maxim Integrated Prods., Inc.*, No. C 09-01152 SI, 2010 WL 1135762, at \*4 (N.D. Cal. Mar. 22, 2010))).

tailored,<sup>128</sup> which will streamline future events in the case, particularly claim construction.<sup>129</sup>

### *3. Infringement Contentions and How a Lack of Uniformity in Procedure Substantively Impacts Patent Litigation*

It is no secret that variation among the districts in local procedure can lead to forum shopping.<sup>130</sup> Variations in the local rules lead to forum shopping precisely because they can have a substantive effect on the outcome of cases.<sup>131</sup> This Section generally focuses on, and compares, the Northern District of California and Eastern District of Texas, because although the rules in each district are substantially similar, they have contrasting reputations: the former is favored by defendants, whereas the latter is favored by plaintiffs.<sup>132</sup> However, it will also reference other districts to further illustrate key discrepancies.

Local patent rules can cause disparity across districts before a case even moves beyond the pleadings.<sup>133</sup> Some districts, like the Northern District of California and Eastern District of Texas, require disclosure very early on in the case, before discovery can occur.<sup>134</sup> However, other districts' local rules, such as those adopted by the Northern District of Illinois, contemplate long periods of discovery before requiring final infringement contentions.<sup>135</sup> Rules on amending the contentions also vary from district to district.<sup>136</sup> Even setting aside the literal differences of the various local rules,

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128. See, e.g., *Connectel, LLC v. Cisco Sys., Inc.*, 391 F. Supp. 2d 526, 527 (E.D. Tex. 2005) (“[W]hen parties ... crystallize their infringement theories before stating their preliminary infringement contentions ... the case ... focus[es] discovery ... and narrow[s] issues.”).

129. See, e.g., *Trans Video Elecs., Ltd.*, 278 F.R.D. at 510 (finding the plaintiff's tactical decision to withhold a claim inconsistent with another “shifting sands litigation tactic”).

130. See *La Belle*, *supra* note 12, at 99. See generally *Woodhouse*, *supra* note 12.

131. See *supra* note 13 and accompanying text.

132. See *La Belle*, *supra* note 12, at 99-100.

133. See, e.g., *Am. Video Graphics, L.P. v. Elec. Arts, Inc.*, 359 F. Supp. 2d 558, 560 (E.D. Tex. 2005) (“The Patent Rules demonstrate high expectations as to plaintiffs' preparedness before bringing suit, requiring plaintiffs to disclose their preliminary infringement contentions before discovery has even begun.”).

134. See *Gollwitzer*, *supra* note 13, at 96; see also *Cwik*, *supra* note 84, at \*5-6; *La Belle*, *supra* note 12, at 100-02.

135. See *Gollwitzer*, *supra* note 13, at 96.

136. See *id.*



districts with substantially similar rules interpret them differently.<sup>137</sup> Finally, “[b]esides these comprehensive rules,” many districts do not have local rules, and some judges (whether or not in a district with local rules) employ “local-local” rules for patent cases.<sup>138</sup> All these discrepancies can result in differing treatment of cases that are otherwise effectively still at the pleadings stage.<sup>139</sup>

In the Northern District of California, infringement contentions are required to be disclosed within fourteen days after the case management conference,<sup>140</sup> at which point no meaningful discovery will have yet taken place.<sup>141</sup> In the Eastern District of Texas, they must be disclosed “[ten] days *before* the Initial Case Management Conference,”<sup>142</sup> which is “before discovery has even begun.”<sup>143</sup> In contrast, other districts specifically contemplate long periods of discovery before final contentions are due.<sup>144</sup> In the Northern District of Illinois, for example, it is highly unlikely that a plaintiff’s infringement claims will be indefinitely stayed or dismissed<sup>145</sup> because the local rules specifically provide for up to “twenty-three weeks of discovery before ‘final’ contentions are due.”<sup>146</sup>

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137. See, e.g., La Belle, *supra* note 12, at 100-02 (noting that the procedural rules that apply in patent litigation depend on the “district, division, judge, or even case”).

138. *Id.* at 88-92, 96.

139. See Gollwitzer, *supra* note 13, at 96; La Belle, *supra* note 12, at 103-06; see also Steinmetz, *supra* note 35, at 512-13.

140. N. DIST. OF CAL., PATENT L.R. 3-1.

141. See Gollwitzer, *supra* note 13, at 96 (“The Northern District of California enforces its strict infringement contention requirements even in complex cases where the patent holder may have a difficult time analyzing the accused infringer’s product before filing suit.”); La Belle, *supra* note 12, at 100-01 (discussing the Northern District of California’s defendant-friendly local rules).

142. E. DIST. OF TEX., PATENT L.R. 3-1 (emphasis added).

143. *Am. Video Graphics, L.P. v. Elec. Arts, Inc.*, 359 F. Supp. 2d 558, 560 (E.D. Tex. 2005).

144. Gollwitzer, *supra* note 13, at 96.

145. In the Northern District of California, for example, if the initial infringement contentions are insufficient due to a lack of discovery, the court may stay any further discovery until the infringement contentions are satisfactory; this can eventually result in dismissal of the case. See, e.g., *Bender v. Maxim Integrated Prods., Inc.*, No. C 09-01152 SI, 2010 WL 2991257, at \*5-6 (N.D. Cal. July 29, 2010).

146. Gollwitzer, *supra* note 13, at 96; see N. DIST. OF ILL., PATENT L.R. 2.1, 3.1. To be sure, the Northern District of Illinois requires initial infringement contentions early on, like many other districts. Compare N. DIST. OF ILL., PATENT L.R. 2.1-2.2 (requiring disclosure of initial infringement contentions within twenty-eight days of defendant’s answer), with N. DIST. OF CAL., PATENT L.R. 3-1 (requiring disclosure of infringement contentions no “later than [fourteen] days after the Initial Case Management Conference”). However, the fact that the Northern District of Illinois’s local rules provide a mechanism for amending the contentions—

In addition to variations in the timing requirements, the Northern District of California and the Eastern District of Texas have different rules regarding amending infringement contentions. The Northern District of California does not allow parties to amend their contentions unless the court so orders “upon a timely showing of good cause.”<sup>147</sup> In contrast, the Eastern District of Texas allows parties to amend their infringement contentions “without leave of court” so long as the party “believes in good faith that the Court’s Claim Construction Ruling so requires, not later than 30 days after service by the Court of its Claim Construction Ruling.”<sup>148</sup>

Aside from literal differences in some of the various rules, districts vary in the way they interpret rules that are virtually identical.<sup>149</sup> The Northern District of California and Eastern District of Texas have virtually identical requirements for what must be included in infringement contentions.<sup>150</sup> However, despite the fact that the Eastern District of Texas requires disclosure even earlier than the Northern District of California,<sup>151</sup> the Eastern District of Texas is favored by plaintiffs, whereas defendants favor the Northern District of California and “often seek transfer to that court.”<sup>152</sup> This discrepancy is because the Northern District of California has a reputation for strictly enforcing its infringement contention requirements.<sup>153</sup>

In the Northern District of California, failing (or being unable) to make sufficient infringement contention requirements can

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effectively a mandatory one, *see* N. DIST. OF ILL., PATENT L.R. 3.1 (requiring final infringement contentions within twenty-one weeks after the due date for the initial infringement contentions)—stands in stark contrast to the Northern District of California. *See supra* notes 140-41 and accompanying text.

147. N. DIST. OF CAL., PATENT L.R. 3-6.

148. E. DIST. OF TEX., PATENT L.R. 3-6(a)(1). Leave of the court and a showing of good cause is required for any other amendment or supplement to infringement contentions. *Id.* 3-6(b). To be fair, the Northern District of California’s Local Rules list a few nonexhaustive examples that “*may*” support a finding of good cause, and included in those examples is an adverse claim construction ruling. N. DIST. OF CAL., PATENT L. R. 3-6 (emphasis added).

149. *See* Gollwitzer, *supra* note 13, at 96; La Belle, *supra* note 12, at 100-02.

150. *See, e.g.*, N. DIST. OF CAL., PATENT L.R. 3-1(b); E. DIST. OF TEX., PATENT L.R. 3-1(b).

151. *Compare* N. DIST. OF CAL., PATENT L.R. 3-1 (requiring disclosure of asserted claims and infringement contentions no later than fourteen days after the Initial Case Management Conference), *with* E. DIST. OF TEX., PATENT L.R. 3-1 (requiring disclosure no later than ten days before the Initial Case Management Conference).

152. La Belle, *supra* note 12, at 99-101; *see* Gollwitzer, *supra* note 13, at 96.

153. La Belle, *supra* note 12, at 100.

effectively result in a successful motion to dismiss. To satisfy the infringement contentions, “a ‘plaintiff [must] compare an accused product to its patents on a claim by claim, element by element basis for at least one of each defendant’s products.’ To make such a comparison, ‘reverse engineering or its equivalent is required.’”<sup>154</sup> If a plaintiff is unable to do this because of financial limitations, like in *Bender v. Maxim Integrated Products*, discovery will be stayed—further preventing that plaintiff from constructing sufficient contentions.<sup>155</sup> Eventually, if the plaintiff is unable to remedy the infringement contentions’ deficiencies, the suit will be dismissed.<sup>156</sup>

On the other hand, the Eastern District of Texas is more lenient with interpretation.<sup>157</sup> For example, in a 2005 case in which the plaintiff alleged that the defendants’ source code for various video games was infringing its patent, the district court denied the defendants’ Motion to Compel Supplemental Disclosures Pursuant to Patent Rule 3-1(c).<sup>158</sup> In denying the motion, the court explained that the local patent rules “demonstrate high expectations as to plaintiffs’ preparedness before bringing suit, requiring plaintiffs to disclose their preliminary infringement contentions before discovery has even begun.”<sup>159</sup> However, in cases like this, the court explained, discovery is necessary to give specific infringement contentions.<sup>160</sup> That is, “prior to discovery, plaintiffs usually only have access to the manifestation of the defendants’ allegedly infringing source code

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154. *Renasas Tech. Corp. v. Nanya Tech. Corp.*, No. C03-05709JFHRL, 2004 WL 2600466, at \*2 (N.D. Cal. Nov. 10, 2004) (alteration in original) (citation omitted) (quoting *Network Caching Tech., L.L.C. v. Novell, Inc.*, No. C-01-2079-VRW, 2002 WL 32126128, at \*5 (N.D. Cal. Aug. 13, 2002)); see also *Bender v. Maxim Integrated Prods.*, No. C 09-01152 SI, 2010 WL 2991257, at \*5 (N.D. Cal. July 29, 2010); *La Belle*, *supra* note 12, at 101.

155. See *Bender*, 2010 WL 2991257, at \*5-6 (staying discovery until *Bender* could produce sufficiently detailed infringement contentions); see also *Network Caching Tech., L.L.C. v. Novell, Inc.*, No. C-01-2079-VRW, 2002 WL 32126128, at \*7 (N.D. Cal. Aug. 13, 2002); *Gugliuzza*, *supra* note 3, at 290 (“[D]istricts such as the ... Northern District of California generally protect the defendant from responding to discovery requests seeking to elicit ... infringement contentions before the deadlines for disclosure set in the local rules.”).

156. See *Bender*, 2010 WL 2991257, at \*6 (“[P]laintiff is directed to serve his Third Amended Infringement Contentions no later than *August 20, 2010*. In the event plaintiff’s amended contentions are still deficient, the Court will be prepared to reconsider Maxim’s requests to strike the contentions and to dismiss this action.”).

157. *Gollwitzer*, *supra* note 13, at 96.

158. *Am. Video Graphics, L.P. v. Elec. Arts, Inc.*, 359 F. Supp. 2d 558, 559 (E.D. Tex. 2005).

159. *Id.* at 560.

160. See *id.*

and not the code itself.”<sup>161</sup> Notably, the Eastern District of Texas has recognized, in some cases, that some discovery will be necessary to construct sufficient infringement contentions.<sup>162</sup>

Discrepancies aside, not all districts have comprehensive local rules for patent cases.<sup>163</sup> Indeed, many popular districts for patent litigation, like “the Central District of California, the District of Delaware, the Southern District of Florida, and the Eastern District of Virginia,” have not adopted formal local rules.<sup>164</sup> The districts without local rules simply apply the standard pleading requirements to complaints for patent infringement.<sup>165</sup> And for a long time, these pleading requirements were governed by Form 18 (at least for claims of direct infringement), which required considerably less than typical infringement contentions.<sup>166</sup>

Perhaps even more problematic than the discrepancies in procedure discussed above, from a uniformity perspective, are the so-called “local-local” rules that some district court judges utilize.<sup>167</sup> With no official local patent rules and one of the busiest patent dockets in the country, the District of Delaware provides a good example.<sup>168</sup>

Each of Delaware’s four Article III judges<sup>169</sup> has implemented special rules for patent cases, providing various procedures, such as special scheduling orders, voir dire questions, and claim

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161. *Id.*; see also Gollwitzer, *supra* note 13, at 96.

162. See, e.g., *Am. Video Graphics*, 359 F. Supp. 2d at 560.

163. *La Belle*, *supra* note 12, at 95-96.

164. *Id.*

165. *Id.* at 105-06.

166. See *id.*; see also *supra* Parts I.B-C.

167. *La Belle*, *supra* note 12, at 88.

168. *Id.* at 89.

169. Since the drafting of this Note, one of these four judges, Judge Robinson, transitioned to senior status in February 2017; she officially retired on July 14, 2017. See Announcement, U.S. Dist. Court for the Dist. of Del., Happy Birthday to SENIOR Judge Sue L. Robinson! (Feb. 3, 2017), <http://www.ded.uscourts.gov/sites/default/files/news/2017/February/03/ANNOUNCEMENTJudge%20Sue%20L%20Robinson.pdf> [https://perma.cc/C25Q-WSBW]; *About the Court: Judges*, U.S. DISTRICT COURT FOR THE DISTRICT OF DEL., [http://www.ded.uscourts.gov/judge\\_20](http://www.ded.uscourts.gov/judge_20) [https://perma.cc/P92S-EV4C]. Judge Sleet also transitioned to senior status as of May 1, 2017, but he “intends to render substantial judicial service as a Senior Judge.” Announcement, U.S. Dist. Court for the Dist. of Del., Honorable Gregory M. Sleet to Take Senior Status (Mar. 31, 2017), <http://www.ded.uscourts.gov/sites/default/files/news/2017/April/13/GMS%20Senior%20Status%20Notice.pdf> [https://perma.cc/H59H-Y6QA].

construction guidelines.<sup>170</sup> The “local-local” rules vary among the Delaware judges, though some similarities exist.<sup>171</sup> They all, for example, use patent-specific scheduling orders, but each judge’s scheduling order is different.<sup>172</sup> However, the discrepancies are notable:

Judge Sleet requires parties to seek permission to file summary judgment motions; Judge Robinson limits the type of definitions parties may propose in claim construction; and Judge Stark mandates that parties provide the court with a tutorial on the relevant technology. Judges Stark and Andrews permit motions in limine, but Judges Sleet and Robinson do not. Judges Stark and Robinson require early disclosure of the plaintiff’s “damages model” and defendant’s sales figures, but Judges Andrews and Sleet do not.<sup>173</sup>

The District of Delaware is not alone in utilizing local-local rules. For example, some judges in the Northern District of Texas and Central District of California, as well as Judge Crabb in the Western District of Wisconsin, utilize local-local rules.<sup>174</sup> Additionally, “these local-local rules exist even in courts *with* comprehensive local patent rules.”<sup>175</sup> About one quarter of the judges in the Northern District of California “have particularized patent rules above and beyond what the district” mandates as a whole.<sup>176</sup>

Of course, one could simply advise patent clients to avoid the less favorable districts; however, this is not always possible. First, forum selection may be out of the client’s control. Even for would-be plaintiffs, there is a risk of a motion to transfer venue.<sup>177</sup> On the other

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170. La Belle, *supra* note 12, at 89-90.

171. *Id.*

172. *Id.*

173. *Id.* (footnotes omitted).

174. *Id.* at 90.

175. *Id.*

176. *Id.*

177. See Gollwitzer, *supra* note 13, at 97 (“[M]oving a case pursuant to [28 U.S.C. § 1404] can have case-altering consequences when the case is transferred from a district that allows liberal discovery in line with Rule 26 [of the Federal Rules of Civil Procedure] to a district that requires detailed final contentions before taking any discovery. Indeed, accused infringers strategically use section 1404 to transfer cases to defendant-friendly forums that limit pre-infringement contention discovery such as the Northern District of California. The potentially case-dispositive implications of transfer demonstrate that local patent rules are flouting the

hand, defendants sued by patent trolls may have no realistic ability to transfer to a more favorable venue because PAEs are generally incorporated to be subject to personal jurisdiction in only a single, favorable jurisdiction.<sup>178</sup> And in so doing the only appropriate venue for litigation will be that sole, favored jurisdiction.<sup>179</sup> This is simply one additional reason parties tend to settle with patent trolls.<sup>180</sup>

At bottom, when applying what is supposed to be a standardized federal law (both substantive and procedural), a case should not be treated substantively differently based on the forum of choice.<sup>181</sup> As one commentator has argued, “The outcome of a patent suit, and certainly the question of whether it even gets to trial, should not depend on where it is pled. Even if it does in reality, the law should not sanction this result.”<sup>182</sup>

### *C. Abrogation of Rule 84 and the Federal Appendix of Forms*

The abrogation of Form 18 is a step in the right direction. Not only has it removed the confusion of applying *Twombly* and *Iqbal*'s plausibility standard to a form that on its face would not suffice, but now district courts will also apply the same pleading standard in all infringement cases across the country.<sup>183</sup> However, while all district courts are now applying the same standard, this standard is interpreted in many different ways, with some courts requiring more detailed pleadings than others.<sup>184</sup> Without a more specifically defined standard or rule—and with varying local patent rules potentially altering courts' judgments—patent law will not be uniform across all districts.

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limitations imposed by the Rules Enabling Act and Rule 83. Winning or losing a transfer motion should not decide the outcome of a case arising out of a supposedly uniform body of federal patent law.”)

178. Hauer, *supra* note 71, at 372.

179. *See id.*

180. *See id.* at 371-73.

181. *See generally* La Belle, *supra* note 12, at 94-111 (discussing local patent rules and their negative effect on uniformity of patent law).

182. Steinmetz, *supra* note 35, at 513.

183. *See* Gugliuzza, *supra* note 3, at 288-91.

184. *See id.* at 289-90.

Some courts have required the complaint to allege element-by-element how the accused product infringed.<sup>185</sup> In *Raindance Technologies, Inc. v. 10x Genomics, Inc.*, the District of Delaware applied the post-December 1, 2015, direct infringement pleading standards.<sup>186</sup> The court granted the defendant's motion to dismiss for failure to state a claim because the complaint failed to allege infringement element-by-element.<sup>187</sup> The court specifically provided two of the patent claims in issue<sup>188</sup> and found that at least one element from each claim was not alleged in the complaint to be practiced by the accused products.<sup>189</sup> For example, one of the claims provided for, among other things, "applying a same constant pressure to the carrier fluid," but as the court explained: "There is nothing in the complaint (at least so far as [the judge could] see) that hints at the role of pressure in Defendant's products."<sup>190</sup> With respect to the other claim, the reasoning was substantially the same, and it was not clear whether every element was met: "It is not obvious to [the judge] that what Plaintiffs describe is an 'autocatalytic reaction.' The requirements of the next to last element might be met, but involves quite a bit of supposition."<sup>191</sup>

Similarly, the Eastern District of Virginia found insufficient a complaint that failed to provide element-by-element allegations.<sup>192</sup> In *Ashgari-Kamrani v. United Services Automobile Ass'n*, the court granted the defendant's motion to dismiss because the complaint failed "to specify which features of USAA's website[, the accused instrumentality,] correspond[ed] to the Central- and External-Entities" found in every claim of the plaintiffs' asserted patent.<sup>193</sup> And although the plaintiffs adequately identified four specific features of the website that infringed, their complaint failed to

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185. See, e.g., *Ashgari-Kamrani v. United Servs. Auto. Ass'n*, No. 2:15cv478, 2016 WL 1253533, at \*3-4 (E.D. Va. Mar. 22, 2016); *Raindance Techs., Inc. v. 10x Genomics, Inc.*, No. 15-152-RGA, 2016 WL 927143, at \*1-2 (D. Del. Mar. 4, 2016).

186. See *Raindance Techs.*, 2016 WL 927143, at \*1-2.

187. See *id.* at \*2-3.

188. The two claims were from two different method patents, *id.* at \*2, which were of a total of six still asserted in the litigation, *id.* at \*1 n.1.

189. *Id.* at \*1-3.

190. *Id.* at \*2.

191. *Id.*

192. See *Ashgari-Kamrani v. United Servs. Auto. Ass'n*, No. 2:15CV478, 2016 WL 1253533, at \*3-4 (E.D. Va. Mar. 22, 2016).

193. *Id.* at \*3.

provide any information as to how these features infringed the patent.<sup>194</sup>

In contrast, some courts have found that all *Iqbal* requires is for the plaintiff to allege that “a specific product” infringes the asserted patents “by virtue of certain specific characteristics.”<sup>195</sup> That is, plaintiffs are “not required to list which of the claims in the patent have been infringed in its pleading.”<sup>196</sup>

A recent case in the Central District of California provides a good example of this standard at work.<sup>197</sup> In *InCom Corp. v. Walt Disney, Co.*, the district court denied the defendants’ motion to dismiss InCom’s claim for direct patent infringement.<sup>198</sup> In so doing, the court found that InCom stated a plausible claim of infringement under *Twombly* and *Iqbal* because, in its complaint, InCom described how its patented Attendance Tracking System worked. InCom explained that the system used Radio Frequency Identification (RFID) technology and ID tags “to track human presence in large volumes”; furthermore, InCom asserted that “prior to its invention, such technology was unavailable because RFID did not work effectively near human beings.”<sup>199</sup> Finally, InCom identified “specific products developed, manufactured and used by Defendants which, like Plaintiff’s system, track human presence in large volumes.”<sup>200</sup> In sum, InCom “stated a plausible claim for direct infringement by specifically identifying Defendants’ products and alleging that they perform the same unique function as Plaintiff’s patented system.”<sup>201</sup>

Aside from these interpretive differences, “some district courts have justified their refusal to dismiss sparsely pled claims of patent infringement on the ground that these early deadlines for disclosure will remedy any prejudice to the defendant.”<sup>202</sup> Indeed, the

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194. *Id.* at \*4.

195. *Iron Gate Sec., Inc. v. Lowe’s Cos.*, No. 15-CV-8814 (SAS), 2016 WL 1070853, at \*3-4 (S.D.N.Y. Mar. 16, 2016); *see InCom Corp. v. Walt Disney Co.*, No. CV15-3011 PSG (MRWx), 2016 WL 4942032, at \*2-3 (C.D. Cal. Feb. 4, 2016).

196. *Iron Gate Sec.*, 2016 WL 1070853, at \*3.

197. *See InCom, Corp.*, 2016 WL 4942032, at \*2-3.

198. *Id.* at \*2-5.

199. *Id.* at \*3.

200. *Id.*

201. *Id.*

202. Gugliuzza, *supra* note 3, at 290; *see also Teirstein v. AGA Med. Corp.*, No. 6:08cv14, 2009 WL 704138, at \*5 (E.D. Tex. Mar. 16, 2009) (explaining that strict pleading



Northern District of California recently did just that.<sup>203</sup> The court assumed Form 18 no longer set the standard, yet denied the defendant's motion to dismiss, explaining that "defendant's argument that it should be entitled to notice at the pleading stage of which specific products infringed on which specific claims in the patents *is belied by both the local patent rules and Federal Circuit authority.*"<sup>204</sup> The court continued: "The complaint's allegations relating to plaintiff's direct infringement claim against defendant are sufficient to withstand a motion to dismiss. Moreover, under the patent rules, the plaintiff is required to serve detailed disclosures later this summer. The Court is not inclined to belabor the Rule 12 motion practice."<sup>205</sup>

Ultimately, exactly how much information is required in a complaint to satisfy *Twombly* and *Iqbal*, now that Form 18 no longer controls, is unclear. And, as discussed above, many district court rulings are not consistent with others. For these reasons, a more specific, uniform standard will benefit both the courts and litigants alike by promoting consistency and predictability.

### III. FEDERAL RULES OF PATENT PROCEDURE AND THE PROPOSED RULE

Professor Megan M. La Belle is advocating for a "comprehensive national patent procedural reform that is informed by and benefits from the local patent rules experiment."<sup>206</sup> Exactly what rules would be in a complete set of Federal Rules of Patent Procedure is, of course, unknown at this stage. But the idea is to address the issues with uniformity, as discussed above, while embracing and utilizing the successful aspects of the various local patent rules to create a

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requirements "would undermine the purpose of the Court's Local Patent Rules"); Burdman & Sauers, *supra* note 7, at 4 (noting there is the possibility "courts with extensive ... early disclosure requirements will continue to point to those rules and adopt fairly low pleading requirements for allegations of infringement").

203. See *Windy City Innovations, L.L.C. v. Microsoft Corp.*, 193 F. Supp. 3d 1109, 1115 (N.D. Cal. 2016).

204. *Id.* (emphasis added) (citing *Phonometrics, Inc. v. Hosp. Franchise Sys., Inc.*, 203 F.3d 790, 794 (Fed. Cir. 2000)). Interestingly, the Federal Circuit case cited by the court was decided around fifteen years before Form 18 was abrogated. See *supra* note 47 and accompanying text.

205. *Windy City Innovations*, 193 F. Supp. 3d at 1115.

206. La Belle, *supra* note 12, at 68.

better procedural regime overall. This Note proposes a specific Rule that would be merely one small piece of the suggested Federal Rules of Patent Procedure. Adopting the Proposed Rule as part of a set of federal rules would ensure uniformity throughout the nation in patent litigation.<sup>207</sup>

The Proposed Rule is intended to address the pleading requirements for direct patent infringement and provide an approach for connecting these requirements with infringement contentions. And because its purpose is to preserve uniformity among the districts, it would, if enacted, supersede the various local rules providing for infringement contentions.<sup>208</sup> The ultimate goal is to promote efficiency and predictability by providing specific requirements, while preserving fairness through allowing a context-specific inquiry.

The Proposed Rule involves a two-step process. First, it adopts a “heightened” pleading standard for direct infringement that is more defendant friendly than that employed during the Form 18 era. This “heightened” standard would be effectively what many district courts have required since the abrogation of Rule 84 and Form 18;<sup>209</sup> however, it would allow for a *res ipsa loquitur*-Like Exception (RIL Exception) and Shifting Mechanism (RIL Shifting Mechanism). Second, other than in the limited circumstances in which the Shifting Mechanism would apply, the complaint would set the foundation for, and limit, the initial infringement contentions. The infringement contentions would be due a short time after the defendant’s answer or, when the Shifting Mechanism applies, after limited discovery.

Crucially, the Proposed Rule requires a context-specific inquiry into the adequacy of the pleadings. The Proposed Rule’s intention is to protect vulnerable, but legitimate, plaintiffs, while also protecting defendants from being forced to litigate against vague, and often meritless, accusations. This Proposed Rule would likely increase the pre-suit costs for plaintiffs, because plaintiffs would need to conduct

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207. *See generally* La Belle, *supra* note 12, at 65-68 (discussing the need for the promulgation of uniform, national rules to govern patent litigation).

208. For consistency’s sake, the principles of the Proposed Rule could (and if enacted, should) be used to inform changes to other aspects of patent litigation, including indirect and contributory infringement, as well as invalidity. However, detailed discussion of those topics is beyond the scope of this Note.

209. *See supra* Parts II.B-C.

more significant investigations in order to make sufficient allegations and infringement contentions.<sup>210</sup> The increased burden on plaintiffs, however, is a small price to pay for the needed adjustments in modern patent litigation. Indeed, in many patent cases plaintiffs are able to employ counsel on a contingency fee basis,<sup>211</sup> so the added cost will not be too great a deterrent if the case truly has merit. The Proposed Rule as a whole will be stricter than the old Form 18 standard without being so strict as to preclude meritorious plaintiffs from filing suit against secretive infringement.

#### *A. Plausibility Pleading with a Res Ipsa Loquitur-Like Exception*

Under the Proposed Rule, the complaint must allege facts to support plausible infringement as required by *Twombly* and *Iqbal*.<sup>212</sup> To meet this burden, a complaint for patent infringement would still need to include the five basic requirements of Form 18: (1) the grounds for jurisdiction; (2) a statement that the plaintiff owned the patent(s) at issue; (3) a statement that the defendant infringed the patent(s) by making, using, or selling some device(s) embodying the patent(s); (4) a statement that the plaintiff gave the defendant written notice of such infringement; and (5) a demand for relief.<sup>213</sup>

Additionally, the complaint would need to identify with reasonable specificity the instrumentality that allegedly infringes. The plaintiff would also need to specify which claims are allegedly infringed, and allege, element-by-element, facts showing that at least one of the identified claims is infringed for each accused instrumentality. The goal of these requirements is to put the defendant on notice and to guide the scope of discovery.

The specific pleading requirements for patent infringement cases, as required by the District of New Hampshire's local patent rules,

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210. See Moore, *supra* note 1, at 494-95 (discussing how a higher pleading standard would increase plaintiffs' costs of filing an infringement suit because of the need to conduct more thorough investigations).

211. See generally David L. Schwartz, *The Rise of Contingent Fee Representation in Patent Litigation*, 64 ALA. L. REV. 335, 338 (2012) (discussing why a substantial market for contingent fee patent litigation developed over time).

212. See *Ashcroft v. Iqbal*, 556 U.S. 662, 670 (2009); *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007); see also *supra* Parts I.B-C.

213. See FED. R. CIV. P. app. Form 18 (repealed 2015); see also Williams, *supra* note 23, at 322.

illustrate the above substantive requirements.<sup>214</sup> Specifically, under the Proposed Rule, a complaint (or counterclaim) for direct infringement would need to include the following substantive allegations:

- (1) a list of all products or processes (by model number, trade name, or other specific identifying characteristic) for which the claimant or counterclaimant has developed a good-faith basis for alleging infringement, as of the time of filing the pleading; and
- (2) at least one illustrative asserted patent claim (per asserted patent) for each accused product or process.<sup>215</sup>

Furthermore, in undertaking the “context-specific task” required by *Iqbal*,<sup>216</sup> the type of technology involved in the asserted patents and the nature of the accused instrumentalities must be taken into account to determine whether a plaintiff has pled sufficient facts. In this regard, the Proposed Rule would go one step further than the New Hampshire Rule by requiring the allowance of the RIL Exception, which would ensure patent holders’ ability to seek judicial redress for secretive infringement.<sup>217</sup> In extraordinary circumstances in which element-by-element allegations are impossible given the nature of the accused instrumentality, such as with proprietary software<sup>218</sup> or interior use production devices,<sup>219</sup> a plaintiff would still need to make a showing that the accused instrumentality plausibly infringes to survive a motion to dismiss. Under the Proposed Rule, such a showing would be satisfied by a three-pronged, *res ipsa*

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214. DIST. OF N.H., PATENT L.R. 2.1(a).

215. *Id.*

216. *Iqbal*, 556 U.S. at 679.

217. The doctrine of *res ipsa loquitur* is used in tort law to shift the burden of producing evidence to establish a breach of duty from the plaintiff to the defendant when such evidence is practically accessible to the defendant but inaccessible to the plaintiff. *See, e.g.*, *Ybarra v. Spangard*, 154 P.2d 687, 689 (Cal. 1944). It has three conditions:

- (1) the accident must be of a kind which ordinarily does not occur in the absence of someone’s negligence; (2) it must be caused by an agency or instrumentality within the exclusive control of the defendant; [and] (3) it must not have been due to any voluntary action or contribution on the part of the plaintiff.

*Id.* (quoting PROSSER, TORTS 295 (1941)).

218. *See, e.g.*, *Am. Video Graphics, L.P. v. Elec. Arts, Inc.*, 359 F. Supp. 2d 558, 559 (E.D. Tex. 2005).

219. *See, e.g.*, *Gugliuzza, supra* note 3, at 290.

loquitur-Like Pleading (the RIL Exception). Specifically, the complaint would need to allege facts that show:

- (1) that such a product or result would not ordinarily exist without infringing the asserted patent;
- (2) that the accused instrumentality is under the exclusive control of the alleged infringer; and
- (3) that plaintiff was not “contributorily negligent” in failing to attempt to contact the alleged infringer to try to resolve the dispute without court intervention.

The first prong of the RIL Exception mirrors the first condition of a traditional *res ipsa loquitur* based negligence claim: “[T]he accident must be of a kind which ordinarily does not occur in the absence of someone’s negligence.”<sup>220</sup> In the context of patent infringement, this would require alleging something like, “It is unlikely that the [accused instrumentality] or [the result or product of the accused instrumentality or method] would exist or function as it does without infringing Patent XXX because: [insert reason here].”

The first prong of the RIL Exception would be satisfied by allegations that explain both the unique capabilities of the invention underlying the patent and how the accused instrumentality exhibits those same unique capabilities. A recent case in the Central District of California provides a simple example.<sup>221</sup> In *InCom Corp. v. Walt Disney Co.*, the court denied the defendants’ motion to dismiss for failure to state a claim with respect to InCom’s claim for direct patent infringement.<sup>222</sup> In so doing, the court found that InCom had stated a plausible claim of infringement under *Twombly* and *Iqbal* because, in its complaint, InCom described how its patented Attendance Tracking System worked by using Radio Frequency Identification (RFID) technology and ID tags to track human presence in large volumes; asserted that “prior to its invention, such technology was unavailable because RFID did not work effectively near human beings”; and named “specific products developed, manufactured and

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220. *Ybarra*, 154 P.2d at 689 (quoting PROSSER, TORTS 295 (1941)).

221. See *InCom Corp. v. Walt Disney Co.*, CV15-3011 PSG (MRWx), 2016 WL 4942032, at \*3 (C.D. Cal. Feb. 4, 2016).

222. *Id.* at \*2, \*4-5.

used by Defendants which, like Plaintiff's system, track human presence in large volumes."<sup>223</sup>

The second prong of the RIL Exception is analogous to the second condition of the *res ipsa loquitur* doctrine; however, there are two caveats. First, in the patent infringement context, the "accused instrumentality" must be construed based on the asserted patent and the claim of infringement. A case from the Eastern District of Texas provides a good illustration of this nuance.<sup>224</sup> In *American Video Graphics L.P. v. Electronic Arts, Inc.*, the plaintiff claimed that fifteen video game manufacturers infringed its patent, and "identified roughly 800 games that it believe[d] use[d] infringing source code."<sup>225</sup> In this case, the source code, and not the manifestation thereof (the video games), is what might ultimately infringe the patent.<sup>226</sup> Therefore, under this test, the source code would be the "accused instrumentality," and not the games themselves. The games, of course, would be useful in satisfying the first prong of the RIL Exception.<sup>227</sup>

The second caveat is that the "exclusive control" requirement must be construed more narrowly than under traditional *res ipsa loquitur* doctrine. Under the traditional tort doctrine, the "exclusive control" element considers whether one has a "right of control rather than actual control."<sup>228</sup> However, in the patent context, the "exclusive control" requirement must be more akin to whether something is publicly or commercially available. For example, although the video games, which embodied the source code at issue in *American Video Graphics*, were publicly and commercially available, the code itself was not; mere ownership of the games did not give access to

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223. *Id.* at \*3. Of course, this case was not applying the Proposed Rule, so although it is unclear whether the accused instrumentalities in this case (Walt Disney's attendance tracking device, "MagicBand"), would satisfy the second prong of the RIL Exception, it appears likely it would because such an attendance system would require some type of apparatus that keeps track of the individual ID tags. *See id.* at \*1. And such apparatus would likely be under the exclusive control of Walt Disney. *Cf. id.*

224. *See Am. Video Graphics, L.P. v. Elec. Arts, Inc.*, 359 F. Supp. 2d 558, 559-61 (E.D. Tex. 2005).

225. *Id.* at 559.

226. *See id.* at 560.

227. Indeed, the plaintiff used the games for a similar purpose: it argued that "many of the infringing features [could] be found throughout the game," but there was no way "to accurately indicate where the infringement [was] occur[ring] without the source code." *Id.*

228. *Ybarra v. Spangard*, 154 P.2d 687, 691 (Cal. 1944).

the actual source code.<sup>229</sup> Accordingly, the plaintiff needed, and the court granted, discovery so it could provide clearer infringement contentions.<sup>230</sup> This result is illustrative of what the second prong of the RIL Exception requires.

The third prong of the RIL Exception does not strictly follow the third condition of the traditional *res loquitur ipsa* test. However, this prong serves a similar purpose. The purpose of the doctrine of contributory negligence—and its modern counterpart, comparative negligence—is to discourage negligent behavior by barring (or limiting the amount of) recovery if the plaintiff shared fault in the accident.<sup>231</sup> The purpose of the third prong of the RIL Exception is to encourage plaintiffs to conduct genuine pre-suit investigations by requiring that plaintiffs attempt to resolve the issue without immediately involving the courts. In practice, this prong of the exception will likely become a mere formality.<sup>232</sup>

The RIL Exception has a purpose similar to the “secret action” test, which was proposed to address a similar problem in the field of toxic and environmental torts.<sup>233</sup> Complaints for toxic torts and environmental claims “are frequently inadequate to live up to” *Twombly* and *Iqbal*’s plausibility standard.<sup>234</sup> The “secret action” test was proposed as a way to plead any cause of action the proof of which depended on some secret action.<sup>235</sup> This test has three elements:

- (1) The claim accuses the defendant, in part, of a secret action,
- (2) the liability of the defendant hinges on that action, and
- (3) the surrounding circumstances are sufficient to create a reasonable inference that the secret action was directly related to the plaintiff’s injury.<sup>236</sup>

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229. *Am. Video Graphics*, 359 F. Supp. 2d at 560-61.

230. *Id.*

231. See William L. Prosser, *Comparative Negligence*, 41 CALIF. L. REV. 1, 3-4 (1953).

232. *Cf., e.g.*, *InCom Corp. v. Walt Disney Co.*, CV15-3011 PSG (MRWx), 2016 WL 4942032, at \*1 (C.D. Cal. Feb. 4, 2016) (noting that InCom wrote to Disney offering to license the patents in suit before filing the instant case).

233. See Joseph I. Silverzweig, Note, *The Secret Action Test: A Proposed Solution to the New Plausibility Pleading*, 31 UTAH ENVTL. L. REV. 481, 482 (2011).

234. *Id.*

235. *Id.* at 498.

236. *Id.*

Elements one and two of the test, taken together, closely correspond to the second prong of the RIL Exception: the “exclusive control” of the “accused instrumentality” prong.<sup>237</sup> The third element of this test very much mirrors the first prong of the RIL Exception; indeed, the intent of the first prong of the RIL Exception is to require a showing that “the surrounding circumstances are sufficient to create a reasonable inference that” plaintiff’s patent is being infringed.<sup>238</sup> All in all, both the RIL Exception and the “secret action” test seek to provide a solution to the dilemma created by the plausibility pleading standards when certain facts are unknown or unavailable to a would-be plaintiff.<sup>239</sup>

#### *B. The Pleading Requirements’ Interaction with the Infringement Contentions*

The early disclosure of infringement contentions, required in many local patent rules, offers many important benefits, including streamlining discovery early on in the case and preventing “shifting sands” litigation tactics.<sup>240</sup> The Proposed Rule seeks to retain these benefits while refining the requirements to work with the proposed pleading requirements, given above.

Under the Proposed Rule, the allegations in the complaint would form the basis of the infringement contentions.<sup>241</sup> The infringement contentions could expand the allegations only in detail; additional claims or products could not be added after the complaint has been filed. So, even though the pleading requirements would not technically require more than one claim of the asserted patent to be alleged element-by-element under the Proposed Rule, the infringement contentions, and thus the case, would be limited to those specifically alleged patent claims.

There is one exception to this Proposed Rule’s limitation on infringement contentions, however. When a plaintiff successfully makes out an RIL Exception, then the RIL Shifting Mechanism shifts the burden of discovery onto the defendant with respect to

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237. See *id.*; *supra* notes 224-27 and accompanying text.

238. See Silverzweig, *supra* note 233, at 498; *supra* notes 221-23 and accompanying text.

239. See Silverzweig, *supra* note 233, at 498.

240. See *supra* Part II.B.2.

241. See *supra* Part II.B.2.



the accused instrumentalities subject to the RIL Exception.<sup>242</sup> With the burden of discovery shifted, the defendant will be required to disclose to the plaintiff the information the plaintiff requests, so long as it is limited to infringement by the suspected instrumentality. Finally, if discovery results in information that enables the plaintiff to make out element-by-element allegations as required by the Proposed Rule's pleading requirements, then the plaintiff will be permitted to file infringement contentions with respect to these claims.

Either way, the infringement contentions required by the Proposed Rule, would need to include all the information required by the Eastern District of Texas's local rules. The Eastern District of Texas's local rules require, in essence, the plaintiff to identify each accused instrumentality and provide a chart that shows "specifically where each element of each asserted claim is found within each Accused Instrumentality."<sup>243</sup>

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242. The RIL Shifting Mechanism is inspired by the burden shifting function of the traditional *res ipsa loquitur* doctrine; however, it is worth repeating that the RIL Shifting Mechanism is not as extreme: it does not shift the entire burden of proof to the defendant, simply the burden of initial discovery. It also takes inspiration from a recent decision from the District of Idaho in which the Court denied the defendants' motion to dismiss, finding that "some limited discovery [would] be necessary" given the circumstances alleged in the complaint. *Rice v. Murakami*, No. 1:13-cv-441-BLW, 2014 WL 2780977, at \*2 (D. Idaho June 18, 2014) ("It would simply be unfair to require Rice—without discovery—to identify the role of each defendant in what was likely a chaotic scene.").

243. E. DIST. OF TEX., PATENT L.R. 3-1(c). Specifically, Rule 3-1 requires:

- (a) Each claim of each patent in suit that is allegedly infringed by each opposing party;
- (b) Separately for each asserted claim, each accused apparatus, product, device, process, method, act, or other instrumentality ("Accused Instrumentality") of each opposing party of which the party is aware. This identification shall be as specific as possible. Each product, device, and apparatus must be identified by name or model number, if known. Each method or process must be identified by name, if known, or by any product, device, or apparatus which, when used, allegedly results in the practice of the claimed method or process;
- (c) A chart identifying specifically where each element of each asserted claim is found within each Accused Instrumentality, including for each element that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in the Accused Instrumentality that performs the claimed function;
- (d) Whether each element of each asserted claim is claimed to be literally present or present under the doctrine of equivalents in the Accused Instrumentality;
- (e) For any patent that claims priority to an earlier application, the priority date

The purpose of restricting the infringement contentions to those claims specifically enumerated in the complaint is to encourage plaintiffs to conduct thorough pre-filing investigations. And because the Proposed Rule will require the pleadings to allege, element-by-element, how each accused product infringes each asserted patent claim, the pleadings will be essentially as detailed as the infringement contentions required under the local rules in the Northern District of California and Eastern District of Texas.<sup>244</sup> Unlike in those districts, however, plaintiffs will have a reliable path to discovery for any alleged infringement that occurs in secret or whose details are otherwise unavailable: this is the key purpose of the RIL Exception and RIL Shifting Mechanism.<sup>245</sup>

#### CONCLUSION: HOW THE PROPOSED RULE STRIKES A BETTER BALANCE

The procedures imposed by the Proposed Rule are simple. If the suit really is frivolous—and not deserving of *any* discovery—the defendant could use a Rule 12(b)(6) motion to dismiss without being subjected to burdensome and costly discovery.<sup>246</sup> In the rare cases in

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to which each asserted claim allegedly is entitled; and  
(f) If a party claiming patent infringement wishes to preserve the right to rely, for any purpose, on the assertion that its own apparatus, product, device, process, method, act, or other instrumentality practices the claimed invention, the party must identify, separately for each asserted claim, each such apparatus, product, device, process, method, act, or other instrumentality that incorporates or reflects that particular claim.

*Id.* 3-1.

244. The only structural difference will be that the pleadings, under the Proposed Rule, need not have a literal claim chart attached. However, that might be the easiest way to make element-by-element allegations.

245. Indeed, plaintiffs will be allowed limited discovery for all accused instrumentalities and patent claims that have been successfully pled. From a practical matter, however, the discovery related to any of the pleadings that would be sufficient under the Proposed Rule even without the RIL Exception is unlikely to be used to supplement the infringement contentions with greater detail because plaintiffs will want to keep their contentions as broad as possible. *See Cwik, supra* note 84, at \*4. A broader contention allows for more flexibility should the infringement theories need to be tweaked as trial progresses. *See id.*

246. *See* FED. R. CIV. P. 12(b)(6); *see also* Moore, *supra* note 1, at 494-96. Of course, plaintiffs would still be afforded one opportunity to amend their pleadings. *See* FED. R. CIV. P. 15(a)(1). However, if a plaintiff fails to show substantial cause for any subsequent amendments, the court should not grant leave to amend the complaint, and the suit should be dismissed with prejudice. *Cf. Bender v. Maxim Integrated Prods., Inc.*, No. C 09-01152 SI,

which the plaintiff successfully invokes the RIL Exception, the defendant would be subject to limited discovery to afford the plaintiff an opportunity to create sufficient infringement contentions. However, should the plaintiff, after the limited discovery period expires, be unable to sufficiently chart out its contentions, the defendant would have the opportunity to move to dismiss the suit with prejudice through a renewed motion to dismiss.<sup>247</sup> This process would be more efficient than simply holding the case in limbo by staying discovery and waiting for the plaintiff to attempt to reverse engineer the defendant's product.<sup>248</sup>

The Proposed Rule should help curb abusive litigation tactics by patent trolls. Because of the heightened element-by-element pleading requirements, defendants would have a meaningful opportunity to dismiss frivolous claims before costly discovery begins.<sup>249</sup> With this increased likelihood of success at the pleading stage, defendants would be less likely to immediately settle with patent trolls.<sup>250</sup> Accordingly, the profitability of the patent troll business model would decrease. Similarly, for patent trolls to survive a motion to dismiss, and thus retain their strike suit power, they would need to conduct thorough pre-suit investigations in order to make sufficient allegations and infringement contentions. These thorough investigations would increase the pre-suit costs for patent trolls, further decreasing their profitability.<sup>251</sup> The increased costs and higher likelihood of failure "would make obtaining a nuisance-value

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2010 WL 2991257, at \*1, \*4, \*6 (N.D. Cal. July 29, 2010) (staying discovery because the plaintiff was unable to create adequate infringement contentions, and ordering the plaintiff to serve amended, and sufficient, infringement contentions by August 20, 2010, or the court would dismiss the action).

247. Depending on the circumstances, this motion would likely need to be treated as a Rule 56 Summary Judgment Motion pursuant to Rule 12(d). *See* FED. R. CIV. P. 12(d); *see also* FED. R. CIV. P. 56(a). At this stage, the defendant would not be permitted to introduce additional evidence to dispute any facts discovered by plaintiff. However, if the plaintiff's charts fail to show where each element of the asserted claims are practiced, construing the claims in the broadest sense practicable, then the suit should be dismissed.

248. In the Northern District of California, when infringement contentions do not comply with the local infringement contention rule, the district court will stay discovery and eventually, if the plaintiff is unable to create contentions that do comply, dismiss the suit. *See, e.g., Bender*, 2010 WL 2991257, at \*1-2, \*6.

249. *See Moore, supra* note 1, at 494-96; *see also* FED. R. CIV. P. 12(b)(6).

250. *See Moore, supra* note 1, at 495.

251. *See id.* at 494-95.

settlement more difficult, thereby reducing the incentive to file a nuisance-value action.”<sup>252</sup>

Outside the patent troll context, the Proposed Rule would balance the interests of both plaintiffs and defendants. The stricter pleading requirements would give defendants a more potent tool for dismissing frivolous claims.<sup>253</sup> And, when the pleadings are sufficient, defendants would truly be on notice as to which claims and accused instrumentalities are at issue.<sup>254</sup> Similarly, sufficient infringement contentions would define and guide the course of discovery from early on in this case,<sup>255</sup> resulting in efficiency that benefits both parties. Finally, and importantly, the Proposed Rule, through the RIL Exception, preserves the rights of meritorious plaintiffs who need the benefit of some discovery to adequately allege infringement in those unique circumstances in which the accused instrumentality is used entirely behind closed doors.<sup>256</sup> Ultimately, the Proposed Rule strikes a reasonable balance of protecting defendants from abusive plaintiffs, while protecting the rights of meritorious plaintiffs whose patents are infringed in private.

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252. *Id.* at 495.

253. Although defendants risk being subjected more easily to limited discovery in cases where the RIL Exception is invoked than under the current local rules of the Northern District of California or Eastern District of Texas, *see supra* Part II.B, this procedure still protects defendants from frivolous lawsuits and might result in complete dismissal after the limited discovery phase.

254. *See Moore, supra* note 1, at 495-96.

255. *See Steinmetz, supra* note 35, at 518 (describing how requiring plaintiffs to identify particular infringing devices with “some measure of detail” will aid with the discovery process).

256. *Cf. Moore, supra* note 1, at 502-03 (noting that proving infringement of some patents, such as when “infringement occurs behind closed doors,” may be impossible without discovery).

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