

# PATENT FILE

## Sweeping changes

The US Innovation Act of 2015 proposes several dramatic revisions to patent law. **Benjamin T Horton** and **Giordana Mahn** explore



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**The average time to a district court *Markman* order is 1.95 years. The Innovation Act of 2015 proposes postponing fact discovery for patent cases until after a *Markman* order issues. This is a sweeping change to both practice and strategy for patent litigants across the country, with potential for pronounced impact to so-called patent troll litigation.**

Congressional efforts to slow “patent trolls” are not new to the legislative agenda. The most recent Congressional attempt, the Innovation Act,<sup>1</sup> sailed through the House of Representatives by a vote of 325 to 91 in 2013. Despite its undeniable popularity in the House, the bill was withdrawn from consideration by the Democratic-controlled Senate. A year later, the Republicans took control of the Senate and brought the Innovation Act back to life; reintroducing the bill in February 2015.

Legislating to combat patent litigation, without overburdening non-troll entities, has been challenging. More than a dozen proposed bills have failed, which is why the Innovation Act was special in 2013 and many, though not all, are happy to see it return in 2015.

The Act proposes several dramatic changes to patent law, including fee shifting, heightened pleading standards, and patent ownership transparency. Together, these provisions aim to deter the patent troll’s half-baked infringement claims and incentivise fast, efficient resolutions on the merits. One of the more impactful changes to watch is the postponement of fact discovery.

There are enumerated exceptions, but the Innovation Act defaults to postponing all fact discovery, except that necessary for claim construction, until after a court-issued *Markman* order.

“[I]f the court determines that a ruling relating to the construction of terms

used in a patent claim asserted in the complaint is required, discovery shall be limited, until such a ruling used in the patent claim is required, discovery shall be limited, until such ruling is issued, to information necessary for the court to determine the meaning of terms used in the patent claim.”<sup>2</sup>

A *Markman* order is often the first major milestone in a patent case because the court tells the parties what terms in the patent mean. This can crystallise dispositive issues in the case, like whether a defendant infringes the patent or whether the patent is invalid.

Now, and for as long as many patent litigators can remember, fact discovery begins long before claim construction is even a twinkle in the court’s eye. Document requests are lobbed over the wall right after the scheduling conference, and sometimes as soon as the complaint has been filed. Pushing discovery off until after the *Markman* order would be a departure from the norm, drastically delaying written discovery and depositions. A recent study found that a *Markman* order take years, with an average around two years, and slower jurisdictions closer to three years.<sup>3</sup> Under the Innovation Act, the parties would still exchange initial disclosures – which would be admittedly beefed up by the bill – but the hardcore email production, interrogatories, and depositions would have to wait... and wait... and wait.

This sounds pretty good for defendants. Trolls often count on defendants’ unwillingness to bleed cash in discovery, while defendants are unable to make trolls similarly suffer. That one-way spend results in settlements for nuisance amounts, or even something approximating the cost of litigation. But under the Act, the disproportionate discovery burden is put off. And it is not just delay that makes this an

important shift. A *Markman* order preceding fact discovery means defendants would have ammunition to pursue summary judgment of non-infringement, for example, before the ink dries on the plaintiff’s first deposition notice. And for the pro-plaintiff crowd, defendants may have a clearer understanding of exposure before spending dollars on discovery that could be used for settlement. Or, rather than wait two years, judges may decide to address claim construction sooner. Earlier *Markman* orders may still be a boon for defendants because potential pre-discovery resolution on the merits, whether two days or two years after the complaint, means limiting disproportionate litigation expenses.

### Comment

For those concerned that delaying discovery will hamper competitor cases, there are a few exceptions that the Act uses to carve out non-troll suits. A court has discretion, prior to a *Markman* order, to expand the scope of discovery as necessary in actions for preliminary injunctions based on *competitive* harm.<sup>4</sup> Patent trolls do not compete, which may make them ineligible for an early discovery exception to the automatic stall. Additionally, parties have the option to “voluntarily agree” to be excluded from the discovery limitation.<sup>5</sup> Parties to a competitor suit with equivalent claims and counter-claims of infringement may agree to get the discovery ball rolling sooner rather than later.

### Footnotes

1. HR 9, 114th Cong (2015), formerly HR 3309, 113th Cong (2013).
2. HR 9, 114th Cong § 299A(a) (2015).
3. Year in Review, Docket Navigator, 2014, p 21.
4. HR 9, § 299A(b).
5. Id at § 299A(c).

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