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# Balkanization of the Local Patent Rules and a Proposal to Balance Uniformity and Local Experimentation

# Balkanization of the Local Patent Rules and a Proposal to Balance Uniformity and Local Experimentation

by Grace Pak\*

## I. INTRODUCTION

Local patent rules are proliferating. As of April 2011, there are eighteen district courts with local patent rules.<sup>1</sup> The first was the Northern District of California in 2000, and since then other district courts have followed suit with accelerating pace. Even courts without formal local patent rules sometimes apply the local patent rules of another court upon the litigants' request or the judge's own volition.<sup>2</sup>

Local patent rules regulate many crucial issues in patent litigation, such as discovery obligations, claim construction, and time to trial. The local patent rules are beneficial because they streamline a patent case and thus help manage the complexity of patent cases.<sup>3</sup> They also provide a standard structure and promote consistency and certainty in how patent cases are managed.<sup>4</sup> Even further, they alleviate inefficiencies by addressing issues that tend to recur in most patent cases.<sup>5</sup>

The local patent rules vary considerably from one forum to the next. In fact, the collection of the local patent rules is myriad and diverse, leading to disuniformity and balkanization in patent procedure. The diversity of local patent rules, however, also allows flexibility to experiment with innovative approaches to patent procedure.

This article proposes a system for patent procedure that strikes a balance between uniformity and experimentation. Under this system, a central agency coordinates the process of experimentation and

ensures a uniform, national perspective.

This article is comprised of five parts. Part II examines the history of the Civil Justice Reform Act of 1990 ("CJRA"), which created a vast collection of local rules in civil procedure. Parts II.A-B examine the primary rationale supporting local rulemaking, namely experimentation, as well as the criticisms attacking local rulemaking, namely balkanization and disuniformity. Part II.C discusses the disappointing results of the CJRA, and investigates the reasons for those shortcomings. Parts III-IV discuss the extent of the variability between the local patent rules and the impact it has on the national patent system. Part V finishes with a proposal, based on lessons from the CJRA, to create a central agency for patent procedure.

## II. A HISTORY LESSON FROM THE CIVIL JUSTICE REFORM ACT OF 1990

Balkanization of local rules is not a new phenomenon; it was also present during the aegis of the Civil Justice Reform Act of 1990 ("CJRA").<sup>6</sup> The overarching goal of the CJRA was reform of civil litigation, and its proponents believed that "reform must come from 'the bottom up' – that is, from those who must live with the civil justice system on a regular basis."<sup>7</sup> Thus, the CJRA required each of the ninety-four district courts to experiment with different solutions to combat cost and delay in civil litigation.<sup>8</sup> During this period, local rulemaking was in overdrive.

### A. The Rationale Behind the CJRA: Local Experimentation and Innovation

Supporters of the CJRA urged that local experimentation would lead to innovative solutions.<sup>9</sup> The CJRA envisioned that each of the ninety-four district courts would be a laboratory, in much the

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1. These courts are N.D. Cal., S.D. Cal., N.D. Ga., D. Idaho, N.D. Ill., S.D. Ind., D. Mass., D. Minn., E.D. Mo., E.D.N.C., W.D.N.C., D.N.J., N.D. Ohio, S.D. Ohio, W.D. Pa., E.D. Tex., S.D. Tex, and W.D. Wash.

2. See e.g., *Server Tech., Inc. v. Am. Power Conversion Corp.*, No. 3:06-CV-00698-LRH-VPC, 2010 WL 1688721, at \*1 (D. Nev. Apr. 26, 2010); *Streck, Inc. v. Research & Diagnostic Sys., Inc.*, 658 F.Supp.2d 988, 993 (D. Neb. 2009); *Convolv, Inc. v. Compaq Computer Corp.*, No. 00-5141, 2006 WL 2527773, at \*1 (S.D.N.Y. Aug. 31, 2006).

3. E.g., D. Minn. LR 2005 Patent Advisory Committee's Preface.

4. *Id.*

5. *Id.*

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6. FED. R. CIV. P. 26 advisory committee's note on 2000 amendments.

7. S. Rep. No. 101-416, at 14 (1990), *reprinted in* 1990 U.S.C.A.N. 6802, 6817.

8. 28 U.S.C.A. § 471 (2010) (no longer in force).

9. Edward D. Cavanagh, *The Civil Justice Reform Act of 1990 and the 1993 Amendments to the Federal Rules of Civil Procedure: Can Systemic Ills Afflicting The Federal Courts be Remedied by Local Rules?*, 67 ST. JOHN'S REV. 721, 728 (1993).

same way that states are seen as laboratories.<sup>10</sup> Justice Brandeis famously remarked that “[i]t is one of the happy incidents of the federal system that a single courageous State may . . . try novel social and economic experiments without risk to the rest of the country.”<sup>11</sup> Similarly, under the local experimentation system of the CJRA, a single district court could try novel experiments without risk to the entire court system. In this vein, local district courts have been favorably characterized as “useful testing grounds.”<sup>12</sup>

## B. Criticisms Attacking the CJRA

Unfortunately, the benefits of experimentation come at the price of disuniformity, which brings with it a host of problems.

### 1. *Legal Clutter: Complexity, Confusion, and Inefficiency*

The proliferation of local differences creates what Professor Paul Carrington calls “legal clutter.”<sup>13</sup> Legal clutter creates complexity, confusion, less understanding of the local rules, and more billable hours.<sup>14</sup> Lawyers find it inordinately difficult to practice in more than one jurisdiction, even though the federal court system is supposed to be national.<sup>15</sup> Navigating through this “minefield,” as one commentator describes it, inevitably leads to missteps and errors.<sup>16</sup> As errors are made, litigants are harmed, and court time and billable hours are spent fixing the errors.<sup>17</sup> All this increases expenses, enhances delays, creates inefficiencies, and hinders the vindication of substantive rights.<sup>18</sup>

### 2. *Unfairness, Unpredictability, and Forum Shopping*

Additionally, the variation of local rules undermines some of the core foundational principles of our legal system. A common underpinning of

procedural justice is that like cases should be treated alike.<sup>19</sup> But because of the variation in local rules, equally meritorious cases are treated unfairly through the application of different local rules. When the outcome of a case is susceptible to variations in the local rules, the unpredictability that ensues threatens the legal system as well. Citizens begin to lose faith in the court system if the results seem random.<sup>20</sup> The diverse collection of local rules further stimulates forum shopping, which exacerbates the problems of unfairness and unpredictability.<sup>21</sup>

## C. Reasons Why Experimentation Under the CJRA Was Not Successful

In 1997, the CJRA sunsetted.<sup>22</sup> In its concluding observations, the Judicial Conference reported that “the process of experimentation and innovation under the CJRA raises serious questions about the relative balance between national uniformity and local option.”<sup>23</sup> Multiple commentators noted that the local experiments were futile and that the level of disuniformity caused too many problems. The same could be said of the local variations in patent procedure. After all, the arguments supporting and attacking the proliferation of local rulemaking are no different in the context of local patent rules than in the context of the CJRA. But first, it would be wise to diagnose the problems with the CJRA.

A critical flaw of local experimentation under the CJRA was its “bottom up” approach, under which each district court adopted its own experimental local rules.<sup>24</sup> To demonstrate why this is problematic, Professors Rubin and Feeley make an analogy to medical research.<sup>25</sup> In medical research, the researcher does not ask her subjects to evaluate their own medical conditions and then follow whatever course of treatment they desire.<sup>26</sup> Yet this was essentially what the CJRA was asking the district courts to do. In the medical research example, the subjects are not experts

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10. A. Leo Levin, *Local Rules as Experiments: A Study in the Division of Power*, 139 U. PA. L. REV. 1567, 1581 (1991).

11. *New State Ice Co. v. Liebmann*, 285 U.S. 262, 311 (1932) (Brandeis, J., dissenting).

12. Cavanagh, *supra* note 9, at 733.

13. Paul D. Carrington, *A New Confederacy? Disunionism in the Federal Courts*, 45 DUKE L.J. 929, 947-48 (1996).

14. *Id.*

15. *Id.* at 948.

16. See Gregory C. Sisk, *The Balkanization of Appellate Justice: The Proliferation of Local Rules in the Federal Circuits*, 68 U. COLO. L. REV. 1, 27 (1997) (discussing the variation of local rules in the context of appellate courts).

17. *Id.* at 31.

18. *Id.* at 27.

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19. William B. Rubenstein, *The Concept of Equality in Civil Procedure*, 23 CARDOZO L. REV. 1865, 1893 (2002).

20. *Id.*

21. Erwin Chemerinsky & Barry Friedman, *The Fragmentation of Federal Rules*, 46 MERCER L. REV. 757, 777-78 (1995).

22. Civil Justice Reform Act of 1990, Pub. L. No. 101-650, § 103(b)(2), 104 Stat. 5089, 5096.

23. JUDICIAL CONFERENCE, THE CIVIL JUSTICE REFORM ACT OF 1990 FINAL REPORT 45 (1997).

24. Chemerinsky & Friedman, *supra* note 21, at 789, 791.

25. Edward L. Rubin & Malcom Feeley, *Federalism: Some Notes on a National Neurosis*, 41 UCLA L. REV. 903, 926 (1994).

26. *Id.*

in medicine, they are not given any guidance from the medical researcher, and the medical researcher imposes no control over the experiment.

The flaws in the local rulemaking system under the CJRA are analogous. Only experts in social science and empirical research were capable of performing the complex directives of the CJRA: identify the principal causes of cost and delay in civil litigation, identify trends in case filings and demands on the court's resources, and examine the extent to which costs and delays could be reduced.<sup>27</sup> The advisory groups to whom these tasks were assigned were composed of "attorneys and other . . . representative[s] of major categories of litigants."<sup>28</sup> They may very well have been accomplished people, but when it came to social science expertise, empirical research, and rulemaking, they have been described as "lay" and "amateur."<sup>29</sup> Furthermore, the CJRA did not equip the advisory groups with any evaluative criteria, guidelines, or techniques for performing the tasks the CJRA assigned.<sup>30</sup> The advisory groups were left in a "methodological lurch."<sup>31</sup>

It is therefore no surprise that the district courts used different methods, baselines, and assumptions in executing the mandates of the CJRA.<sup>32</sup> There were no control groups and no one was controlling the grander experimentation scheme.<sup>33</sup> As a result, the "data" generated by these experiments could not be used as a basis for construing meaningful conclusions.<sup>34</sup> In the meanwhile, unnecessary balkanization emerged.

The critical missing element to the success of local experimentation was an overseeing central agency.<sup>35</sup> A central agency was needed to design and control experiments with expertise and analyze data in a scientific manner.<sup>36</sup>

The local patent rules are on track to repeat the fate of the CJRA. If the local patent rules are allowed to perpetuate from the "bottom-up," the price

will be unnecessary disuniformity and balkanization. Additionally, the local rule experiments will not reach their full potential to produce innovations in patent procedure.

### III. BALKANIZATION OF THE LOCAL PATENT RULES

Part III illustrates the extent of balkanization of the local patent rules by surveying the local patent rules of eighteen district courts, with a specific focus on contention and document production rules, which regulate discovery.

#### A. Background About Contentions and Document Production Rules

Contentions and document production rules require the parties to disclose early in the litigation the specifics about their infringement theories. For example, the patent-holder must disclose which patent claims it is asserting against which products of the infringer,<sup>37</sup> and the accused-infringer must disclose its theories of invalidity.<sup>38</sup>

The impetus for contentions and document production rules was the "shifting sands" problem.<sup>39</sup> Under the Federal Rules of Civil Procedure's simplified notice pleading system, parties often recited only the bare bones of their allegations against each other.<sup>40</sup> This left each party unsure about the opposing party's theories.<sup>41</sup> As a result, the initial theories that each party offered were hedged and susceptible to change.<sup>42</sup> Parties would, for example, assert different patent claims or different pieces of prior art.<sup>43</sup> The true issues in dispute were not ascertained until the late stages of discovery.<sup>44</sup> Contentions and document production rules alleviate these problems by requiring the parties to promptly disclose the bases for their underlying claims.<sup>45</sup> Thereby, local patent rules crystallize theories early in the case.<sup>46</sup>

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27. See Linda S. Mullenix, *The Counter-Reformation in Procedural Justice*, 77 MINN. L. REV. 375, 405 (1992); 28 U.S.C.A. § 472(c) (1990) (no longer in force).

28. 28 U.S.C.A. § 478(a)-(b) (1990) (no longer in force).

29. Mullenix, *supra* note 27, at 405.

30. See Civil Justice Reform Act of 1990, Pub. L. No. 101-650, 104 Stat. 5089; Mullenix, *supra* note 27, at 402.

31. Mullenix, *supra* note 27, at 404.

32. *Id.* at 403.

33. Chemerinsky & Friedman, *supra* note 21, at 790-91.

34. *Id.*

35. *Id.*

36. *Id.*

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37. *E.g.*, N.D. Cal. Patent L.R. 3-1.

38. *Id.* at 3-3.

39. Peter S. Mennell et al., PATENT CASE MANAGEMENT JUDICIAL GUIDE 1-1, 2-9 (Federal Judicial Center) (2009) (citing LG Elecs., Inc. v. Q-Lity Computer, Inc., 211 F.R.D. 360, 367 (N.D. Cal. 2002)).

40. *Id.* at 2-8. *But see* Ashcroft v. Iqbal, 129 S. Ct. 1937, 1940 (2009) (raising the pleading standard under Fed. R. Civ. P. 8(a)(2) to one of "facial plausibility").

41. Mennell, *supra* note 39, at 2-8 – 2-9.

42. *Id.* at 2-9.

43. *Id.*

44. *Id.*

45. *See, e.g.*, N.D. Cal. Patent L.R. 3-1 – 3-4

46. Atmel Corp. v. Info. Storage Devices, Inc., No. C 95-1987, 1998 WL 775115, at \*2 (N.D. Cal. Nov. 5 1998).

B. Balkanization of Contentions and Document Production Rules

All the forums require Infringement Contentions and Invalidity Contentions, but the information that must be disclosed in these contentions varies dramatically. To demonstrate the degree of variation between these rules, the rules of all eighteen district courts with local patent rules are surveyed:<sup>47</sup> (1) Northern District of California, (2) Southern District of California, (3) Northern District of Georgia, (4) District of Idaho, (5) Northern District of Illinois, (6) Southern District of Indiana, (7) District of Massachusetts, (8) District of Minnesota, (9), Eastern District of Missouri, (10) District of New Jersey, (11) Eastern District of North Carolina, (12), Western District of North Carolina, (13) Northern District of Ohio, (14), Southern District of Ohio, (15) Western District of Pennsylvania, (16) Eastern District of Texas, (17) Southern District of Texas, and (18) Western District of Washington.

1. *Infringement Contentions*

Each district court requires the patent-holder to disclose some combination of the categories of information listed below.

1. each claim that the patent-holder is asserting against the accused-infringer
2. for each claim, the applicable subsection of 35 U.S.C. § 271
3. a specific identification of each product/method of the accused-infringer that the patent-holder alleges is infringing
4. a claim chart that maps the limitations of the asserted claims to the limitations of the accused product/method
5. if there are means-plus-function limitations in the asserted claims, identification of the structure in the accused product/method that performs the claimed function
6. whether the patent-holder is asserting literal infringement or infringement under the doctrine of equivalents for each asserted claim limitation
7. details on allegations of indirect infringement
8. bases for allegations of willful infringement

9. priority dates to which each claim is entitled
10. identification of the patent-holder's own products/methods that practice the claimed invention if the patent-holder wishes to rely on those products/methods for any purpose

The table that follows highlights the divergence between the infringement contention rules in different forums:

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47. Much of this information was collected with the help of Travis M. Jensen, *Patent Local Rules--A Summary and Comparison*, 997 PLI/Pat 959, 981 (2010).

Information Required to be Disclosed in Infringement Contentions	S.D. Cal. <sup>48</sup> S.D. Ind. <sup>49</sup> E.D.N.C. <sup>50</sup> W.D. Pa. <sup>51</sup> E.D. Tex. <sup>52</sup> S.D. Tex. <sup>53</sup>	N.D. Cal. <sup>54</sup> D. Idah o <sup>55</sup> N.D. Ill. <sup>56</sup> D.N. J. <sup>57</sup>	D. Mass. <sup>58</sup> D. Minn. <sup>59</sup>	N.D. Ga. <sup>60</sup>	N.D. Ohio. <sup>61</sup>	W.D. Wash. <sup>62</sup>	W.D. N.C. <sup>63</sup>	E.D. Mo. <sup>64</sup>	S.D. Ohio <sup>65</sup>
Each asserted claim	x	x	x	x	x	x	x	x	x
§ 271 subjections		x			x	x	x		x
The accused product/method	x	x	x	x	x	x	x	x	x
Claim chart re asserted claims and accused product/method	x	x	x	x	x	x	x	x	x
Means + Function	x	x		x	x	x	x	x	x
Literal or DOE	x	x	x	x	x	x	x	x	x
Indirect infringement		x			x	x		x	x
Willful infringement		x			x				
Priority claims	x	x		x	x	x	x	x	x
Patent-holder's products	x	x					x	x	x

48. S.D. Cal. Patent L.R. 3.1.

49. S.D. Ind. Case Management Plan for Patent Cases Phase I, III.C.

50. E.D.N.C. Civ. R. 303.1.

51. W.D. Pa. LPR 3.1.

52. E.D. Tex. P. R. 3-1.

53. S.D. Tex. P. R. 3-1.

54. N.D. Cal. Patent L.R. 3-1.

55. D. Idaho Loc. Patent R. 3.1.

56. N.D. Ill. LPR 2.2.

57. D.N.J. L. Pat. R. 3.1.

58. D. Mass. LR 16.6 App. (A)(1).

59. D. Minn. LR 16.2 Form 4 (f)(1).

60. N.D. Ga. Patent L.R. 4.1.

61. N.D. Ohio L.P.R. 3.1.

62. W.D. Wash. Local Patent Rules 120.

63. W.D.N.C. P.R. 3.1.

64. E.D. Mo. Local Patent R. 3-1.

65. S.D. Ohio. Pat.L.R. 103.2.

## 2. Invalidity Contentions

The substance of the accused-infringer's Invalidity Contentions similarly varies across the forums. Depending on the forum, the accused-infringer must disclose some combination of the following categories of information in its Invalidity Contentions:

1. identification of prior art of which the accused-infringer is currently aware
2. whether each item of prior art anticipates each asserted claim or renders it obvious
3. an explanation of why the prior art renders a claim obvious
  - a. Some local rules provide a general requirement that the accused-infringer explain its obviousness contentions.
  - b. Other local rules spell out what information the accused-infringer must include in its obviousness contentions. Specifically, these local rules may require an identification of the combinations of prior art that render a claim obvious and/or the motivation to combine those pieces of prior art.
4. a claim chart that maps the limitations of the asserted claims to the limitations of the prior art
5. if there are means-plus-function limitations in the asserted claims, the chart must identify the structure in the prior art that performs the claimed function
6. Other grounds of invalidity
  - a. Some sets of local rules provide a general requirement that the accused-infringer must disclose grounds of invalidity.
  - b. Other sets of local rules spell out the grounds of invalidity for which the accused-infringer must disclose details. The grounds of invalidity specified by these local rules include non-statutory subject matter, indefiniteness, lack of enablement, lack of written description, and violations of best mode.

The table below charts the differences between the invalidity contention rules in each forum:

<b>Information Required to be Disclosed in Invalidity Contentions</b>	N.D. Ill. <sup>66</sup> S.D. Ind. <sup>67</sup> W.D. Pa. <sup>68</sup> E.D. Tex. <sup>69</sup> S.D. Ohio <sup>70</sup>	N.D. Cal. <sup>71</sup> D. Idaho. <sup>72</sup> D.N.J. <sup>73</sup>	S.D. Cal. <sup>74</sup> E.D. Mo. <sup>75</sup>	N.D. Ga. <sup>76</sup>	D. Mass. <sup>77</sup>	D. Minn. <sup>78</sup>	E.D. N.C. <sup>79</sup>	N.D. Ohio <sup>80</sup>	S.D. Tex. <sup>81</sup>	W.D. Wash. <sup>82</sup>	W.D. N.C. <sup>83</sup>
Prior art list	X	X	X	X	X	X	X	X	X	X	X
Anticipation or obviousness	X	X	X	X	X		X	X	X	X	X
General explanation of obviousness		X						X	X		
- Identify combinations	X	X	X	X			X	X		X	X
- Motivation to combine	X			X			X				X
Claim chart re asserted claims and prior art	X	X	X	X	X	X	X	X	X	X	X
Means + Function	X	X	X				X	X	X	X	X
General grounds of invalidity					X				X		
- Subject Matter		X						X			X
- General grounds of invalidity based on 112				X			X	X			
-- Indefinite	X	X	X		X			X	X		X
-- Enablement	X	X	X		X			X	X		X
-- Written Description	X	X	X		X			X	X		X
-- Best Mode			X		X			X			

66. N.D. Ill. LPR 2.3(b).

67. S.D. Ind. Case Management Plan for Patent Cases Phase I III.D.

68. W.D. Pa. LPR 3.3.

69. E.D. Tex. P. R. 3-3.

70. S.D. Ohio. Pat.L.R. 103.4.

71. N.D. Cal. Patent L.R. 3-3.

72. D. Idaho Loc. Patent R. 3.3.

73. D.N.J. L. Pat. R. 3.3.

74. S.D. Cal. Patent L.R. 3.3.

75. E.D. Mo. Local Patent R. 3-4.

76. N.D. Ga. Patent L.R. 4.3.

77. D. Mass. LR 16.6 App. (A)(2).

78. D. Minn. LR 16.2 Form 4 (g)(1).

79. E.D.N.C. Local Civil Rule 303.3.

80. N.D. Ohio L.P.R. 3.5(a)-(d).

81. S.D. Tex. P. R. 3-3.

82. W.D. Wash. Local Patent Rules 121.

83. W.D.N.C. P.R. 3.3.

### C. The Federal Circuit's General Non-Interference Policy

The survey of the local patent rules on contentions and document productions reveals a staggering array of differences. One possible way to hone the collection of local rules is through the authority of the Federal Circuit, which has the power to adjudge local patent rules invalid, as well as the authority to review a district court's interpretation and application of local rules.<sup>84</sup> However, given the Federal Circuit's acclaim of local patent rules, it is unlikely that the Federal Circuit would adjudge any of the current local patent rules invalid.<sup>85</sup> Moreover, the Federal Circuit has expressed a preference not to step in and overrule the district courts on matters of interpreting and applying local patent rules.<sup>86</sup>

Without any central authority regulating the local patent rules, the disuniformity of the local patent rules will likely become more severe as more courts adopt local patent rules.

#### IV. THE BENEFITS AND HARMS FLOWING FROM VARIATIONS BETWEEN THE LOCAL PATENT RULES

The vast and diversified collection of local patent rules has disrupted uniformity, but it has also led to innovations through experimentation. Parts IV. A-G. provide specific examples.

##### A. Benefits Flowing from Variations Between the Local Patent Rules

###### 1. *The Creation of the Local Patent Rules*

The patent community widely regards the local patent rules in themselves as positive. They help manage the complexity of patent cases, provide some degree of predictability, and create efficiencies by regulating the same issues that tend to recur.<sup>87</sup> The Federal Circuit has also applauded the local patent rules for crystallizing theories early in the case.<sup>88</sup>

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84. *O2 Micro Int'l Ltd. v. Monolithic Power Sys.*, 467 F.3d 1355, 1365-67 (Fed. Cir. 2006).

85. *See id.* at 1365-66 (explaining that the local patent rules "seek to balance the right to develop new information in discovery with the need for certainty as to the legal theories").

86. *Genentech v. Amgen*, 289 F.3d 761, 774 (Fed. Cir. 2002). *See also Sandisk Corp. v. Memorex Prods., Inc.*, 415 F.3d 1278, 1292 (Fed. Cir. 2005) (explaining that the Federal Circuit gives "broad deference" to the trial court's application of local patent rules); *Safeclick, LLC v. Visa Int'l Serv. Ass'n*, 208 Fed. Appx. 829, 834 (Fed. Cir. 2006) (holding that the standard of review over a district court's application of local patent rules is "very deferential").

87. *See supra* notes 3-5 and accompanying text.

88. *O2 Micro*, 467 F.3d at 1365-66 n.12 (internal quotation marks and citations omitted).

The local patent rules exist in large part because local experimentation made them possible. The first court to adopt local patent rules was the Northern District of California in 2001.<sup>89</sup> For three years it was the only court with local patent rules,<sup>90</sup> presumably because the idea of a specialized set of local rules for patent law was novel and untested. After numerous patent cases were litigated on the N.D. Cal.'s "testing ground," it can be assumed that the local patent rules reaped enough apparent benefit to influence multiple other courts into adopting their own local patent rules.<sup>91</sup> In drafting each successive set of local patent rules, the courts seemed to observe and learn from each other's experiences and contribute their own variations to their local patent rules.<sup>92</sup> Therefore, the local patent rules today appear to be a product of localized "trial-runs" and a build-up of experiences.

##### 2. *Innovative Approaches to Claim Construction Briefing*

Local experimentation also makes possible innovations in specific procedural issues. The Northern District of Illinois's procedures for claim construction briefing are one such example. The Northern District of Illinois is the only court that requires the accused-infringer to open claim construction briefing.<sup>93</sup> In all the other district courts, the patent-holder files the first claim construction brief.<sup>94</sup> When the patent-holder files the first brief, it often argues for "plain meaning" constructions.<sup>95</sup> Then, the accused-infringer offers its constructions in its response brief.<sup>96</sup> Only in its reply and closing brief does the patent-holder finally offer detailed constructions.<sup>97</sup> This method left the

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89. N.D. Cal. Patent L.R. 1-3 (2000).

90. The first court to adopt local patent rules after the N.D. Cal. was the N.D. Ga. in 2004. *See* N.D. Ga. LPR 1.3 (explaining that the effective date of the local patent rules is July 15, 2004).

91. James Ware & Brian Davy, *The History, Content, Application and Influence of the Northern District of California's Local Rules*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 965, 1007-08 (2009).

92. *E.g.*, D. Minn. LR 2005 Patent Advisory Committee's Preface; D.N.J. L. Pat. R. Report of the Local Rules Committee; Judge Matthew F. Kennelly & Edward D. Manzo, *Northern District of Illinois Adopts Local Patent Rules*, 9 J. MARSHALL REV. INTELL. PROP. L. 202, 204-05 (2009).

93. N.D. Ill. LPR 4.2.

94. *E.g.*, N.D. Cal. 4-5.

95. R. David Donoghue, *New Northern District of Illinois Local Patent Rules Will Drive Cases to Chicago*, 3 Bloomberg Law Reports (2009).

96. *Id.*

97. *Id.*

accused-infringer without a chance to reply.<sup>98</sup> The Northern District of Illinois hoped that its method, which requires the accused-infringer to open claim construction briefing, would lead to a more focused debate.<sup>99</sup>

B. Harms Flowing From Variations Between the Local Patent Rules

1. *Legal Clutter: Complexity, Confusion, and Inefficiency*

While small variations between the different sets of local rules represent innovations, they are also the source of legal clutter. Keeping up with the minutia of all the different sets of local patent rules can become inordinately complex, confusing, and inefficient.<sup>100</sup> And it is important to know the local patent rules in detail, because non-compliance can leave a case in ruins. For example, in *Genentech v. Amgen*, the patent-holder was precluded from asserting infringement under the doctrine of equivalents because it failed to assert the doctrine of equivalents in its claim charts as required by the local rules.<sup>101</sup>

It is understandable that a litigant can become confused about whether it is required to disclose a certain theory in its contentions. For example, different forums take different approaches to the issue of disclosing a “best mode” theory of invalidity.<sup>102</sup> The different approaches can be grouped into three categories:

- 1) Best mode is specifically identified and must be disclosed<sup>103</sup>
- 2) “[A]ny grounds of invalidity based on any applicable provision under 35 U.S.C. § 112” must be disclosed, but best mode is not specifically identified<sup>104</sup>
- 3) “[A]ny grounds of invalidity based on indefiniteness under 35 U.S.C. § 112(2) or enablement or written description under 35 U.S.C. § 112(1)” must be disclosed, but best

mode is not specifically identified<sup>105</sup>

The Northern District of California’s local patent rules fall into the third category.<sup>106</sup> In fact, for some time, there was confusion over whether those rules required disclosure of “best mode.”<sup>107</sup> In *Fresenius Med. Care Holdings, Inc. v. Baxter Int’l, Inc.*, the patent-holder moved to strike the accused-infringer’s “best mode” argument because it failed to disclose “best mode” in its invalidity contentions.<sup>108</sup> The patent-holder argued that disclosure of “best mode” was required in invalidity contentions.<sup>109</sup> The court held that technically, the Northern District of California’s local patent rules do not require disclosure of a “best mode” theory.<sup>110</sup>

The confusion over “best mode”—whether it must be disclosed in invalidity contentions—represents just one example of the problems caused by disuniformity and balkanization.

2. *Unfairness, Unpredictability, and Forum Shopping*

Unfairness is another problem created by disuniformity and balkanization of the local patent rules. To illustrate this point, best mode is again a useful example. In *Fresenius Med. Care Holdings*, the court explained the rationale for not requiring the accused-infringer to disclose a “best mode” theory in its invalidity contentions: “The rationale for this is clear; an accused infringer typically does not have the evidence necessary to establish its best mode defense until much later in the discovery process.”<sup>111</sup> What is not so clear, however, is why other forums’ invalidity contention rules nevertheless require the accused-infringer to disclose a best mode defense. Accused-infringers as a group are comparably situated with regard to their ability to gather evidence to establish a best mode defense—irrespective of the forum in which their case is heard. Thus, it is unfair that some accused-infringers are held to stricter requirements for arguing a best mode defense, merely because they are in a forum with a different set of local patent rules.

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98. *Id.*

99. N.D. Ill. LPR 4.2. Comment.

100. See discussion *supra* Part II.B.1.

101. *Genentech v. Amgen*, 289 F.3d 761, 773-74 (Fed. Cir. 2002); See also *I-Flow Corp., v. Apex Med. Tech.*, No. 07-1200, 2008 WL 2899822, at \*4 (S.D. Cal. July 25, 2008) (finding that the accused-infringers waived their argument that certain claim terms should be construed as means-plus-function elements because they did not disclose this theory in their invalidity contentions).

102. See discussion *supra* Part III.A.4.

103. *E.g.*, S.D. Cal. Patent L.R. 3.3(e).

104. *E.g.*, N.D. Ga. Patent L.R. 4.3(a)(4) (emphasis added).

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105. *E.g.*, N.D. Cal. Patent L.R. 3-3(d) (emphasis added).

106. *Id.*

107. See *Ware & Davy*, *supra* note 86, at 991 (noting ambiguity in N.D. Cal. Patent L.R. 3-3(d) regarding disclosure of best mode).

108. *Fresenius Med. Care Holdings, Inc. v. Baxter Int’l, Inc.*, No.03-1431, 2006 WL 1329997 at \*5 (N.D. Cal. May 15, 2006).

109. *Id.*

110. *Id.* at \*6.

111. *Id.* at \*5.

The different sets of local patent rules have even more widespread implications on substantive justice. As the Federal Circuit acknowledged, “issues concerning the validity and interpretation of such local [patent] rules are ‘intimately involved in the substance of enforcement of the patent right.’”<sup>112</sup> Commentators agree that differences in local patent rules can be outcome determinative.<sup>113</sup>

Given the import that local patent rules have on a patent case, it is no surprise that local patent rules are a key factor in the game of forum shopping.<sup>114</sup> Commentators opine that patent-holders’ favoritism of the Eastern District of Texas, for instance, is due partly to its local patent rules,<sup>115</sup> which have been described as “shift[ing] the balance toward the plaintiff”<sup>116</sup> and as “stack[ing] the deck against the defendant.”<sup>117</sup>

The disuniformity of the local patent rules further leads to problems of unpredictability. Unpredictability is acutely harmful in patent law because patent law’s primary objective is to motivate future behavior.<sup>118</sup> If patent rights are uncertain, some competitors will attribute patent-holders with an unduly large “zone of no competition.”<sup>119</sup> Then, if competitors choose to compete with the patented product, they will do so in a less than optimal fashion, depriving the public of cheaper and higher-quality goods that competition engenders.<sup>120</sup> In other cases, competitors will attribute an unduly small “zone of no competition” to patent-holders, and therefore they will infringe patents more frequently.<sup>121</sup> This decreases the value of the patent to the patent-holder and the incentive to innovate.<sup>122</sup>

### 3. *Undermining the Uniformity of Substantive Patent Law*

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112. *O2 Micro Int’l Ltd. v. Monolithic Power Sys.*, 467 F.3d 1355, 1364 (Fed. Cir. 2006) (emphasis added).

113. Jensen, *supra* note 49, at 967. See also Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas as a Preeminent Forum for Patent Litigation*, 9 YALE J.L. & TECH. 193, 224 (2007) (opining that that the odds of winning a case are impacted by the local patent rules).

114. Leychkis, *supra* note 113, at 224.

115. *E.g. id.* at 209.

116. *Id.* at 222.

117. *Id.* at 219.

118. Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 67 (1989).

119. Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation?*, 83 J. PAT. & TRADEMARK OFF. SOC’Y 558, 593-94 (2001).

120. *Id.*

121. *Id.* at 593.

122. *Id.*

Of all the harms that attend the disuniformity of local patent rules, perhaps the most important is the undercutting of a uniform body of substantive patent law. Within the body of substantive patent law that is supposed to be uniform, the law on obviousness is one area of concern. In particular, the Supreme Court’s decision in *KSR Int’l Co. v. Teleflex, Inc.*<sup>123</sup> is not embodied uniformly and consistently in the local patent rules. The Supreme Court in *KSR* deemphasized the “teaching, suggestion, or motivation” test for finding obviousness.<sup>124</sup> In other words, to prove that a patent claim is obvious, it is not always necessary to point to a motivation to combine prior art references, because obviousness can be proven in other ways.<sup>125</sup> In recognition of *KSR*, the Northern District of California amended its 2000 version of the local patent rules in 2008 by eliminating the requirement to identify a motivation to combine in an accused-infringer’s invalidity contentions.<sup>126</sup> In contrast, a significant number of other local patent rule jurisdictions retain the requirement to identify a motivation to combine.<sup>127</sup>

## V. A PROPOSAL BASED ON LESSONS FROM THE CJRA: CREATE A CENTRAL AGENCY FOR PATENT PROCEDURE

The problems inherent in the disuniformity of patent procedure have caught the attention of the patent bar, and many patent attorneys have endorsed national uniformity of local patent rules.<sup>128</sup> Consummate unification of the local patent rules, however, would mean the end of local experimentation. On the other hand, maintaining the status quo incubates disuniformity and balkanization.

Fortunately, past experience with the CJRA informs a solution to this dilemma. Specifically, the creation of a central agency should minimize the harms caused by disuniformity and maximize the benefits of local experimentation.<sup>129</sup> Therefore, this

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123. *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007).

124. *Id.* at 419.

125. *Id.* at 419-421.

126. *Ware & Davy, supra* note 86, at 1004.

127. *E.g.*, N.D. Ill. LPR 2.3(b); W.D. Pa. LPR 3.3.; E.D. Tex. P. R. 3-3.; N.D. Ga. Patent L.R. 4.3.

128. *E.g.*, *Ware & Davy, supra* note 91, at 1014; Leychkis, *supra* note 113, at 225; Alisha Kay Taylor, *What Does Forum Shopping in the Eastern District of Texas Mean for Patent Reform?*, 6 J. MARSHALL REV. INTELL. PROP. L. 570, 583 (2007); Jeff Becker, *On Creating Specialized Patent District Courts: Why H.R. 34 Does Not Go Far Enough to Address Reversal Rates in District Courts*, 61 SMU L. REV. 1607, 1632 (2008).

129. See discussion *supra* Part II.C.

article proposes that a central agency specializing in patent procedure should be created to coordinate local experimentation and ensure uniformity.

One of the primary objectives of the central agency should be regulating localized experiments. To ensure the success of these experiments, the central agency should be staffed by experts in social science, empirical research, statistics, and rulemaking.

As a first step to managing local experiments, the central agency should plan and design the experiments. It should encourage input from the patent community across the nation, conduct research, engage in dialogue and debate with members of the staff and other professionals, and collect hard data representing the performance of the procedural patent rules currently in place. Based on this research, the central agency should formulate a hypothesis and design a scientifically valid experiment that tests this hypothesis. The central agency should lay out the steps of the experiment clearly, prescribe definitive guidelines, and provide procedures for gathering and reporting hard data.

Once the central agency finishes designing an experiment, it should conduct a “trial-run” in a limited number of district courts. By limiting the number of district courts, the central agency minimizes balkanization, minimizes problems inherent in disuniformity, and establishes control groups. In addition, it becomes more feasible to test high-risk but high-gain innovative procedures that ordinarily would not have been tested on the entire nation. During the course of the experiment, the central agency should oversee the district court to make sure that the experiment runs according to its design.

The expertly designed experiments will yield valid data, which in turn, serves as a proper basis for formulating meaningful conclusions. The professional staff in the central agency will be well-versed in analyzing the data accurately, applying stringent methodological analysis, performing sophisticated statistical analyses, drawing sound inferences, and developing effectual reforms for patent procedure. As patent law and patent procedure progressively evolves, the central agency should utilize this methodology to continually develop new procedures and improve existing ones.

Another key objective of the central agency should be ensuring national uniformity in patent procedure. When managing the local experiments, the central agency should do so with a national

perspective—not only by minimizing balkanization, but also by taking into consideration how the small-scale experiments will inform national reform in patent procedure. In addition, when the law changes through a decision from the Federal Circuit or the Supreme Court, the central agency should make sure those changes are properly and consistently integrated into the procedural rules in all the district courts.

Experimentation according to this proposal should bear fruit for patent procedure because the central agency and its expertise make possible well-designed experiments, which lead to the development of successful reforms. At the same time, uniformity is not unduly sacrificed because the central agency oversees patent procedures in the district courts with an eye toward national uniformity.

#### IV. CONCLUSION

The local patent rules have brought many benefits to the patent system. Within a particular forum, the local patent rules permit litigants and the courts to predict the procedural progression of a case with some certainty. The local patent rules also reduce inefficiencies within one forum because they eliminate the need to readdress procedural issues that frequently recur in each case. From a policy standpoint, the local patent rules are beneficial because they minimize gamesmanship in patent litigation and crystallize the parties’ theories early in the case.

Under the current structure of local patent rulemaking, each district court proceeds autonomously. An advantage of this structure is local experimentation. Indeed, local experimentation played a large role in the creation of the local patent rules themselves. Additionally, specific procedural issues in patent litigation, such as Markman briefing, are showing promising signs of innovation as a result of local experimentation.

Unfortunately, without any control over the district courts’ local rulemaking, unnecessary balkanization and disuniformity has emerged. The consequences are legal clutter, unfairness, unpredictability, and forum-shopping.

Even though uniformity and local experimentation are in tension with each other, a favorable balance can be achieved. The CJRA is informative in this respect because local rules burgeoned during the CJRA era, similar to the development of local patent rules. Specifically, experiences from the CJRA teach that the creation of a central agency for patent procedure would be

salutary for patent law. An expertly staffed central agency can maximize the value of local experimentation and minimize the harms of disuniformity. In this manner, patent procedure can reap the benefits of both uniformity and experimentation without sacrificing either.