

What happens when there are no local patent rules?

Anthony P Acciaioli and **Bea Swedlow** examine the impact a lack of local patent rules has on whether to allow a litigant to amend its contentions

Patent infringement litigants often disclose infringement and invalidity positions early in an action. Discovery progresses, and courts construe claims leading to fresh strategic insights and new or modified theories of infringement or invalidity. A battle ensues between one litigant seeking to include its 'new' theory and another that claims it will be unduly prejudiced by its opponent's 'eleventh-hour' addition. Just when is it too late for a litigant to amend its contentions?

Whether a district has enacted local patent rules (LPRs) is key to answering this question. Courts with LPRs often have specific provisions governing amendment and supplementation of formal infringement and invalidity contentions. Yet, many patent infringement disputes are litigated in districts without LPRs. Litigants in these districts seeking to amend contentions must anticipate a different, less predictable legal landscape.

LPRs often provide added predictability and clarity for a litigant seeking to amend its contentions. Illustratively, both LPR 3-6 in the Northern District of California and LPR 3-4 in the Northern District of Illinois explicitly require a litigant to show 'good cause' to amend. These rules also clarify that a litigant's Federal Rule of Civil Procedure (FRCP) 26 duty to supplement discovery responses does not excuse it from showing good cause. Many LPRs also provide specific situations in which good cause may exist.

In *O2 Micro*, the Federal Circuit clarified that even where newly discovered information supports amendment, a showing of diligence – and by extension, timeliness – must be made to demonstrate 'good cause'.¹

Courts in districts with LPRs routinely require a two-pronged showing of diligence by a litigant seeking to amend its contentions, both a) with respect to discovering the basis for amendment and b) with respect to seeking amendment once the basis is discovered.²

Whether a litigant acted diligently is

ultimately a matter of judicial discretion. However, litigants faced with making this showing will find abundant case law addressing a wide range of situational circumstances. Nevertheless, these litigants should use *O2 Micro's* requirement of diligence and timeliness as a compass and proceed cautiously in attempting to strategically time any amended or supplemental contentions to avoid a court casting their efforts as gamesmanship and denying amendment.³

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What about patent infringement litigants in districts without formal LPRs?

All federal litigants are bound by FRCP 26 and are required to timely supplement discovery responses as new information becomes available. A question that follows is whether a litigant in a district without LPRs has an easier path to supplementing infringement or invalidity positions. Specifically, are these litigants bound by *O2 Micro's* – or a similar – heightened diligence requirement? Unfortunately, litigants seeking a straightforward answer to this question may be disappointed – but not surprised – to learn that no uniform answer exists. But, decisions

from two different districts lacking formal LPRs provide litigants with valuable guideposts to consider. After the Federal Circuit's decision in *TC Heartland*, the District of Delaware is now the US federal district in which most patent litigation is filed. In the one-year following *TC Heartland*, 23% of all new patent litigation was filed in the District of Delaware.⁴ Yet, the District of Delaware has not enacted formal LPRs. Thus, it is important to consider what legal framework the increasing number of patent litigants entering the district may face when attempting to supplement infringement or invalidity positions.

Fork in the road

Two Delaware cases illustrate a potential fork in the road of which litigants should be aware. In *Intellectual Ventures I LLC v AT & T Mobility, LLC*, District Judge Leonard Stark⁵ denied AT & T's motion to strike a new infringement theory introduced by Intellectual Ventures just two weeks before fact discovery was to close.⁶ The court did not subject Intellectual Ventures' amendment attempt to *O2 Micro's* diligence-focused framework. Instead, it construed Intellectual Ventures' infringement contentions as FRCP 26(a) initial disclosures and treated AT & T's motion to strike as an FRCP 37(c)(1) motion to exclude its new infringement theory as a sanction for late disclosure.⁷ Applying the Third Circuit's multi-factor test under Rule 37, the court concluded that while Intellectual Ventures formulated its new theory months prior to its disclosure, it offered a reasonable explanation for its late disclosure (a late-stage deposition) and showed no evidence of bad faith.⁸ It thus denied AT & T's motion to strike, and declined to apply the 'extreme sanction' of excluding Intellectual Ventures' new infringement theory.⁹

In *Bayer Cropscience AG v Dow Agrosciences LLC*, Magistrate Judge Joel Schneider – of the District of New Jersey but sitting by designation in Delaware – considered

Dow's motion for leave to amend and add two new prior art references to its invalidity contentions.¹⁰ The *Bayer* court did discuss *O2 Micro*, stating that Dow's 'diligence' was the 'key fact' concerning whether it should permit amendment.¹¹ Citing factual circumstances, the court concluded that Dow failed to act diligently in discovering its new references, and denied its request to amend.¹² The court referenced Dow's burden under *O2 Micro*, concluding that Dow's motion "did not attempt to establish good cause," and that Dow did not "diligently search for the prior art" it sought to add.¹³

Why the differing legal frameworks?

One difference between *Intellectual Ventures* and *Bayer* is that the Bayer Scheduling order explicitly incorporated the New Jersey local patent rules from Magistrate Judge Schneider's home district, which require good cause to amend contentions.¹⁴ This may account for the *Bayer* court's explicit reliance on *O2 Micro*. Thus, litigants in districts without LPRs must be aware that electing to incorporate LPRs (assuming the choice is theirs) may increase their burden concerning amending infringement or invalidity positions.

Also relevant is that in *Intellectual Ventures*, the issue of amendment came before the court through the defendant's motion to strike, whereas in *Bayer*, at issue was the defendant's motion for leave to amend. Thus, litigants should be aware that if leave is required to amend, it may increase the burden even in a district without LPRs.

The Eastern District of Michigan, which experiences a relatively high volume of patent litigation, is another district without LPRs. Like in Delaware, litigants seeking to supplement infringement or invalidity positions must prepare for a mixed legal landscape. In *Bestop, Inc v Tuffy Security Products Inc*, Magistrate Judge Michael Hluchaniuk permitted Bestop to amend infringement contentions despite an eight-day delay relative to the scheduling order.¹⁵ The court specifically rejected defendant Tuffy's reliance on *O2 Micro*, concluding it was 'inapposite' because the Eastern District of Michigan lacks local patent rules.¹⁶ Instead, like Judge Stark in Delaware, the court construed Tuffy's motion to strike as a Rule 37 motion for sanctions and focused on factors more favourable to a party seeking amendment including whether Bestop willfully failed to cooperate in discovery and whether its amendment was motivated by bad faith.¹⁷ Finding these indicia (and others) absent, the court denied Tuffy's motion to strike and permitted Bestop's amendments.

However, in *Visteon Global Technologies*

v Garmin International, Inc, Eastern District Judge Paul Borman evoked *O2 Micro*'s diligence requirement.¹⁸ The court adopted a special master's recommendation that Visteon's motion for leave to amend its infringement contentions be denied because Visteon failed to demonstrate diligence.¹⁹ Because the date for amendment in the court's scheduling order passed, the court noted that Visteon needed to satisfy FRCP 16's diligence requirement to amend. It then cited *O2 Micro* and related case law in describing what diligence meant "in the context of patent law".²⁰ This differs from *Bestop*, in which the court rejected Tuffy's attempt to apply *O2 Micro*. Again, the differing procedural postures – a motion to strike (*Bestop*) versus a motion for leave to amend (*Visteon*) – may be partially responsible. But, litigants in the Eastern District of Michigan must prepare for uncertainty concerning what legal framework any amendment attempt might face.

Measures to ensure inclusion

Case law addressing amendment of infringement and invalidity theories in districts without LPRs is quite scarce. Consequently, empirically determining whether litigants in these districts are more or less likely to prevail in seeking amendment is difficult. But, the aforementioned cases from the District of Delaware and the Eastern District of Michigan provide important considerations for litigants.

If litigants in districts without LPRs agree to incorporate LPRs (or the court orders it) into a scheduling order, those rules may subject any amendment attempt to a heightened diligence requirement. Even if LPRs are not incorporated, these litigants must be aware of dates in the scheduling order concerning amendment or the close of fact discovery. FRCP 16 requires its own showing of 'good cause' to modify a scheduling order. And, as the decision in *Visteon* reveals, courts may emphasise this diligence requirement by incorporating *O2 Micro* and its progeny's preference for early disclosure of infringement and invalidity positions. Thus, litigants in districts without LPRs should disclose new infringement or invalidity theories as early as practically possible to ensure their inclusion.

Footnotes

1. *O2 Micro Int'l Ltd v Monolithic Power Sys, Inc* 467 F.3d 1355, 1366-67 (Fed Cir 2006).
2. See, eg, *Koninklijke Philips NV v Acer Inc*, No 18-cv-01885, 2019 WL 652868, *1 (N D Cal 15 Feb 2019). *Eagle View Techs Inc v Xactware Solutions, Inc*, No 15-7025, 2017 WL 5886004, *3 (D N J 29 Nov 2017). *Peerless Industries Inc v Crimson AV, LLC*, No 11 C 1768, 2013 WL 6197096, *5 (N D Ill Nov 27 2013).

3. *ChemFree Corp v J Walter Inc*, 250 F R D 570, 573 (N D Ga. 2007).
4. Geneva Clark, *TC Heartland, Legal trends, one year later*, *Lex Machina blog* (23 May 2018), <https://lexmachina.com/tc-heartland-legal-trends-one-year-later/>.
5. Judge Stark, like other judges in the District of Delaware and elsewhere, has specific patent practices. These practices may require early disclosure and amendment of contentions even where no formal LPRs exist.
6. *Intellectual Ventures I LLC v AT & T Mobility LLC*, No 13-1668, 2017 WL 658469 (D Del 14 Feb 2017).
7. *Id* at *1, *4-5.
8. *Id*.
9. *Id*.
10. *Bayer Cropscience AG v Dow Agrosciences LLC*, No 10-1045, 2012 WL 12904380 (D Del 7 June 2012).
11. *Id* at *1.
12. *Id* at *1, 3.
13. *Id* at *3 (emphases added).
14. *Id* at *1.
15. *Bestop, Inc v Tuffy Security Prods, Inc*, No 13-10759, 2015 WL 5025892, *3 (E D Mich 23 June 2015).
16. *Id*.
17. *Id*.
18. *Visteon Global Techs Inc v Garmin Int'l, Inc*, No 10-10578, 2014 WL 1028918 (E D Mich 17 Mar 2014).
19. *Id* at *1, *4.
20. *Id* at *3.

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