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Linking Patent Reform and Civil Litigation Reform

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Linking Patent Reform and Civil Litigation Reform

Greg Reilly*

Patent reform increasingly focuses on discovery. Discovery is perceived as disproportionately expensive and burdensome in patent cases. Excessive discovery is said to fuel so-called “patent trolls” and impose an unhealthy tax on innovation and competition. These supposedly exceptional problems have led to exceptional patent-only reform proposals, such as delaying most discovery for over a year and reversing the seventy-five-year-old allocation of discovery costs.

Treating patent litigation as exceptional has a siloing effect. Patent reform debates ignore parallel debates over general civil litigation reform that raise the same arguments about disproportionately expensive and burdensome discovery and propose their own set of reforms. This Article links patent reform to civil litigation reform, arguing that patent discovery is not exceptional in its costs, supposed effects, or causes. Instead, patent discovery is representative of a subset of discovery-intensive civil cases. The main problem with discovery in patent cases is not abusive tactics of “patent trolls” or inherent technical complexity but rather complex and open-ended remedial doctrines. Doctrinal complexity is not unique to patent litigation.

Pinpointing the source of patent discovery problems also suggests a solution—delaying costly and burdensome remedial discovery until after liability is established. This solution need not be limited to patent cases. Greater use of staged litigation—litigating and resolving some potentially case-dispositive issues before any discovery or other litigation occurs on more discovery-intensive issues—is a potentially

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valuable tool for reforming general civil litigation. Notably, staged litigation preserves the plaintiff's access to information and right to a jury trial, overcoming objections to other efforts to reduce civil litigation costs, like Twombly/Iqbal plausibility pleading.

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INTRODUCTION

Patent litigation is often seen as “different” from other civil litigation, necessitating special patent-only rules that stray from general legal principles even for issues arising in other contexts.¹ Over the past decade, the Supreme Court soundly rejected this “patent exceptionalism,” reversing a series of patent-only procedural rules adopted by the United States Court of Appeals for the Federal Circuit.² Commentators largely praised the Supreme Court’s efforts “to draw patent law back into the [mainstream] legal landscape.”³ Yet, in recent years, Congress has engaged in its own form of “patent exceptionalism,” debating and even passing patent-only procedures that depart from general civil practice in areas like joinder, pleading, fee shifting, and discovery.⁴ While the Federal Circuit’s patent-only rules generally enhanced the enforcement of patent rights, Congress is motivated by concerns about patent assertion entities—pejoratively known as “patent trolls”⁵—and its patent-only reforms restrict enforcement of patent rights.

Discovery is a chief target of this new form of “patent exceptionalism.” Discovery is seen as uniquely problematic in patent cases, with disproportionately high costs making it vulnerable to abusive litigation that extracts cost-motivated settlements even for weak claims.⁶ The ability to use high discovery costs to force meritless settlements supposedly has fueled the rise of patent assertion entities, which are said to burden innovation and competition.⁷ Arguing that normal discovery rules are “obsolete, or at least inappropriate, for the

1. Paul R. Gugliuzza, *The Federal Circuit as a Federal Court*, 54 WM. & MARY L. REV. 1791, 1817–18 (2013).

2. *Id.* at 1818. The Federal Circuit has nationwide appellate jurisdiction in patent cases.

3. See Timothy R. Holbrook, *Explaining the Supreme Court’s Interest in Patent Law*, 3 IP THEORY 62, 71–72 (2013) (explaining recent Supreme Court interest in patent law based, in part, on rejection of patent law exceptionalism and desire to connect patent law to other areas of law).

4. See generally David O. Taylor, *Patent Misjoinder*, 88 N.Y.U. L. REV. 652 (2013) (describing patent-only joinder statute). Congress is currently debating patent-only pleading requirements, fee shifting, and discovery reforms. See *infra* Part I.A.

5. The terms patent assertion entity (“PAE”), non-practicing entity (“NPE”), and patent troll (“troll”) all refer to patent holders that do not manufacture products but instead commercialize inventions through licensing or litigating patent rights. Though the terms have slightly different connotations, they are often used interchangeably. See David L. Schwartz & Jay P. Kesan, *Analyzing the Role of Non-Practicing Entities in the Patent System*, 99 CORNELL L. REV. 425, 426 (2014) (summarizing terminology). This Article uses the term patent assertion entity or PAE but it is intended to cover entities referred to as NPEs or trolls as well.

6. See *infra* Part II.

7. See *infra* Part II.B.

vast complexity and volume of large patent disputes,”⁸ patent reformers propose fundamental patent-only changes to discovery, including delaying almost all discovery until approximately a year after filing and departing from the seventy-five-year-old presumption that the responding party bear its own discovery costs.⁹

But the premise underlying these significant patent-only variations is largely untested. Is discovery in patent cases fundamentally different from discovery in other civil litigation? In general, litigation discovery is understudied by academics: “[O]n no other topic is there more disconnect between the academy and bar.”¹⁰ Patent discovery is no exception, lacking careful consideration of the problems, causes, and potential solutions of costly discovery in patent cases.

This Article undertakes that task. In doing so, it draws patent discovery reform back into the mainstream legal landscape by connecting it to debates over reform of civil discovery more generally. While discovery is a relatively new part of the patent reform agenda, it has been a target of civil litigation reformers since the 1970s. These reformers have long raised the exact same concerns now motivating patent discovery reform: disproportionate costs, cost-motivated settlements, incentives to bring weak claims, and unscrupulous plaintiffs who leverage high discovery costs to enrich themselves at the expense of innovation, competition, and the American economy.¹¹ The most recent iteration of civil discovery reform resulted in amendments to the Federal Rules Civil of Procedure—set to go into effect in December 2015—that emphasize proportionality in discovery.¹²

Despite being motivated by the same concerns and occurring contemporaneously, civil discovery reform and patent reform have been almost entirely siloed. Patent reform could benefit from the lessons of civil litigation reform. The proposed patent reforms are largely “the same, generic, anti-litigation solutions” that civil litigation reformers have failed to pass more generally.¹³ Evaluating these reforms in the

8. Randall R. Rader, *The State of Patent Litigation*, 21 FED. CIR. B.J. 331, 336 (2012).

9. See *infra* Part I.A.

10. Scott A. Moss, *Litigation Discovery Cannot Be Optimal But Could Be Better: The Economics of Improving Discovery Timing in a Digital Age*, 58 DUKE L.J. 889, 892–93 (2009).

11. See *infra* Parts I.B, II.B.

12. REPORT OF THE JUDICIAL CONFERENCE COMMITTEE ON RULES OF PRACTICE AND PROCEDURE TO THE CHIEF JUSTICE AND MEMBERS OF THE JUDICIAL CONFERENCE OF THE UNITED STATES, apps. B-6 to -7 (2014) [hereinafter JUDICIAL CONFERENCE REPORT], <http://www.uscourts.gov/rules-policies/archives/committee-reports/reports-judicial-conference-september-2014>.

13. Paul R. Gugliuzza, *Patent Litigation Reform: The Courts, Congress, and the Federal Rules of Civil Procedure*, 95 B.U. L. REV. 279, 282 (2015).

full context of the decades-long debate over civil litigation reform could avoid adoption of ineffectual or counter-productive policies rushed through based on the perceived need to combat the “crisis” of patent assertion entities or based on the self-interested lobbying of technology companies most commonly targeted by patent assertion entities.¹⁴ Conversely, civil litigation reform could benefit from the data point provided by discovery in patent cases. Patent litigation increasingly looks like other civil litigation, with a small plaintiff (the patent assertion entity) with limited discoverable information suing a large corporation with limitless discoverable information. However, the plaintiff in patent litigation (the patent assertion entity) tends to be less sympathetic than the defendant (a technology company), the exact opposite of other areas that tend to drive civil litigation reform like torts and civil rights. Patent litigation thus offers a way to analyze civil discovery problems and reforms without the normal biases and ideological precommitments.¹⁵

Analyzing patent discovery in parallel with discovery in other civil litigation raises questions about the assumptions motivating current patent reform efforts. With regard to the discovery “problem,” discovery costs in patent cases may seem exceptional when compared to the median civil case, but they are on par with other civil cases of similar stakes. High discovery costs are not a patent problem but rather a general problem of complex, high stakes “mega cases.”¹⁶ Nor does the rise of patent assertion entities make patent litigation fundamentally different from other civil litigation. In many ways, complaints about patent assertion entities echo those made about contingent-fee plaintiffs’ lawyers in other civil litigation, who are alleged to bring unmeritorious claims and use high discovery costs to “extort” cost-of-defense settlements.¹⁷

Turning to the causes of problematic discovery, the abusive practices of patent assertion entities are often blamed for expensive and burdensome patent discovery. However, available empirical evidence indicates that discovery costs are lower in cases brought by patent assertion entities.¹⁸ This is unsurprising since these cases tend to involve lower stakes and contingent-fee lawyers with an incentive to

14. *See infra* Parts I.C, IV.

15. *See infra* Parts I.C, IV.

16. *See infra* Part II.A.

17. *See infra* Part II.B.

18. *See infra* Part III.A.1.

avoid “scorched-earth” litigation.¹⁹ Costly and expansive discovery in patent cases also is attributed to the inherent technical complexity of patent cases. However, the technical doctrines of infringement and invalidity are narrow, objective inquiries not implicating knowledge, intent, or motivation, exactly the opposite of the normal characteristics of discovery-intensive issues.²⁰ On the other hand, a major contributor—perhaps *the* major contributor—of costly and expansive discovery in patent cases is the remedial doctrines for determining damages and “willful” infringement (which provides eligibility for enhanced damages). These doctrines have the hallmarks of discovery-intensive issues: broad, open-ended, and heavily dependent on subjective mental states.²¹ Of course, patent damages and willful infringement doctrines are unique to patent cases. They are, however, an example of broad substantive doctrines that create costly and expansive litigation discovery, a phenomenon that also occurs in other civil litigation contexts.

Applying the lessons learned from analyzing patent discovery in parallel with discovery in other civil litigation, this Article proposes a solution to the discovery problems in patent litigation and, perhaps, civil litigation more generally: staged litigation. With staged litigation, the merits of certain, potentially case-dispositive issues are resolved in their entirety before any discovery or other litigation proceeds on more discovery-intensive issues. For example, if the primary source of costly and burdensome patent discovery is remedial complexity, then a promising solution is to delay discovery on remedial issues until after liability (infringement and noninvalidity) is established.²² Traces of staged litigation exist in American civil litigation, but it is largely overlooked and rarely used.²³

Staged litigation provides a way to reduce litigation costs while preserving broad substantive rights and doctrines. The case study of patent discovery demonstrates that substantive legal rights and doctrines—like the remedial doctrines of patent law—are as much to blame for discovery problems as flaws in procedural mechanisms.²⁴ Yet, the role of substantive law has been almost entirely ignored in recent patent and civil litigation reform debates. As a result, the

19. *See infra* Part III.A.2.

20. *See infra* Part III.B.

21. *See infra* Part III.C.

22. *See infra* Part IV.C.2.

23. An important exception is Louis Kaplow’s recent pathbreaking work. Louis Kaplow, *Multistage Adjudication*, 126 HARV. L. REV. 1179 (2013).

24. *See infra* Part IV.A.

proposed reforms in both contexts are poorly tailored to the sources of problematic discovery because they do not account for the broad rights and doctrines provided by substantive law.²⁵ By contrast, staged litigation accounts for broad substantive rights and doctrines, while reducing discovery costs, by apportioning the most expensive and burdensome discovery necessitated by substantive law to those cases where the plaintiff demonstrated some merit by prevailing on the initial issues.²⁶ Importantly, staged litigation also preserves both access to the information necessary for the plaintiff to prove its case and the right to a jury trial, overcoming objections to other civil litigation reforms like heightened pleading requirements and lower discovery limits.²⁷

The Article proceeds in four Parts. Part I describes the parallel tracks of patent and civil litigation reform and the divide separating them.²⁸ Part II analyzes the costs and consequences of broad discovery, finding patent litigation to be an example of a subset of complex, high-stakes civil cases.²⁹ Part III addresses the causes of discovery problems, finding doctrinal complexity, not patent assertion entities or inherent technical complexity, to be the main source of patent discovery problems.³⁰ Part IV then applies this analysis to discovery reform and makes the preliminary case for applying staged litigation in both patent cases and civil litigation more generally.³¹

I. PARALLEL PATENT AND CIVIL LITIGATION REFORM

Discovery is the pretrial exchange of information between the parties. Pretrial discovery was “one of the most significant innovations of the Federal Rules of Civil Procedure,” replacing a system based largely on surprise with one that helped narrow and clarify the issues, provide necessary information, and make trial predictable.³² Only “limited” and “modest” changes have been made to the basic discovery regime adopted in 1938.³³ Discovery is the crucial stage of civil litigation, where cases are won and lost,³⁴ but it is also blamed for the high costs

25. *See infra* Part IV.B.

26. *See infra* Part IV.C.1.

27. *See infra* Part IV.C.3.

28. *See infra* Part I.

29. *See infra* Part II.

30. *See infra* Part III.

31. *See infra* Part IV.

32. *Hickman v. Taylor*, 329 U.S. 495, 500–01 (1947).

33. 8 CHARLES ALAN WRIGHT ET AL., *FEDERAL PRACTICE AND PROCEDURE* § 2001 (3d ed. 1998).

34. Moss, *supra* note 10, at 892.

and problems of modern litigation.³⁵ Discovery in patent litigation is no different, described as both “the most important stage” and “the most tedious, burdensome, and expensive part.”³⁶ Discovery is a primary focus of ongoing patent and civil litigation reform efforts. The following sections describe these related, but siloed, reform efforts.

A. Patent Reform

Patent reform proponents suggest that “discovery in patent litigation [is] a special case” that makes ordinary discovery procedures “obsolete, or at least inappropriate, for the vast complexity and volume of large patent disputes.”³⁷ They object to “disproportionally high discovery expenses,” with discovery costs ranging from \$350,000 in lower stakes cases to \$3 million in higher stakes cases.³⁸ Patent plaintiffs, particularly patent assertion entities, purportedly have “an incentive to apply ‘scorched earth’ techniques to force defendants to spend an inordinate amount of time and energy collecting and producing volumes of documents that are ultimately irrelevant to the merits of the case.”³⁹ The volume and production costs of modern electronic communications and electronically stored information are said to exacerbate this problem.⁴⁰ And the benefit from broad discovery is purportedly minimal, with less than 1% of documents produced in discovery used in patent litigation.⁴¹

Both the Federal Circuit and federal district courts have recently implemented patent-only discovery reforms. The Federal Circuit Advisory Council issued a model order with the goal of “streamlining e-discovery, particularly email production” and “requiring the

35. Emery G. Lee III & Thomas E. Willging, *Defining the Problem of Cost in Federal Civil Litigation*, 60 DUKE L.J. 765, 766–68 (2010).

36. KIMBERLY A. MOORE ET AL., *PATENT LITIGATION AND STRATEGY* 156 (3d ed. 2008); Manotti L. Jenkins, *Putting the Clients in a Position to Succeed*, in *PATENT LITIGATION AND DISPUTE RESOLUTION: LEADING LAWYERS ON UNDERSTANDING KEY COMPONENTS OF A CASE, EVALUATING SETTLEMENT OPPORTUNITIES, AND PREPARING FOR TRIAL* 157, 161 (2007).

37. Rader, *supra* note 8, at 336; Teri B. Varndell & R. Eugene Varndell, Jr., *Changes in the World of Patent Litigation: New Rules for Discovery and the Emergence of Patent Litigation Investors*, 34 IDEA 205, 224 (1994).

38. *Protecting Small Businesses and Promoting Innovation by Limiting Patent Troll Abuse: Hearing Before the S. Comm. on the Judiciary*, 113th Cong. 9 (2013) [hereinafter *Senate Hearing*] (statement of Dana Rao, Vice President and Associate General Counsel of Intellectual Property and Litigation, Adobe Systems Incorporated); Rader, *supra* note 8, at 336.

39. *Innovation Act: Hearing on H.R. 3309 Before the H. Comm. on the Judiciary*, 113th Cong. 20 (2013) [hereinafter *House Hearing*] (statement of Krish Gupta, Senior Vice President and Deputy General Counsel, EMC Corporation).

40. H.R. REP. NO. 113-279, at 32–33 (2013).

41. *Id.* at 32 n.55.

responsible, targeted use of e-discovery in patent cases.”⁴² Individual district courts also adopted special rules to limit e-discovery in patent cases.⁴³

In Congress, patent litigation reform, especially patent discovery reform, is a high priority, with over a dozen bills introduced in recent years.⁴⁴ A package of patent litigation reforms overwhelmingly passed the House of Representatives in late 2013⁴⁵ but was blocked in the Senate at the last minute in spring 2014 by the leadership of the Democratic majority.⁴⁶ With Republicans taking control of the Senate in January 2015, patent litigation reform was expected to pass in the 114th Congress.⁴⁷ As of June 2015, overlapping, though not identical, patent litigation reform bills had been approved by both the Senate and House Judiciary Committees (the “PATENT Act” and “Innovation Act,” respectively).⁴⁸ Even if patent litigation reform does not pass during the 114th Congress, the current reform proposals certainly will influence subsequent proposals and reform efforts, as was true in past phases of patent reform.⁴⁹

42. FED. CIRCUIT ADVISORY COMM., AN E-DISCOVERY MODEL ORDER (2013), <http://patentlyo.com/media/docs/2013/08/ediscovery-model-order-1.pdf>.

43. See, e.g., Randall E. Kay, *District Amends Local Patent Rules*, L.A. DAILY J. (Feb. 25, 2013), <http://www.jonesday.com/files/Publication/bc17b516-90f9-4583-a459-c17caa4d3c80/Presentation/PublicationAttachment/39b3ad9f-0b6b-418b-96d0-19c1046c30d9/Kay%20DJ%20article%20re%20new%20patent%20local%20rules.pdf> (describing model e-discovery order adopted by U.S. District Court for Southern District of California).

44. *Patent Progress’s Guide to Federal Patent Reform Legislation*, PATENT PROGRESS, <http://www.patentprogress.org/patent-progress-legislation-guides/patent-progress-guide-patent-reform-legislation/> (last visited Sept. 12, 2015).

45. Innovation Act, H.R. 3309, 113th Cong. (1st Sess. 2013) (as passed by House, Dec. 5, 2013); Tom Risen, *Bipartisan Innovation Act Clears House*, U.S. NEWS & WORLD REP. (Dec. 6, 2013, 11:46 AM), <http://www.usnews.com/news/articles/2013/12/06/bipartisan-innovation-act-clears-house>.

46. Dustin Volz, *Why Harry Reid Blocked Patent Reform*, NAT’L J. (May 21, 2014), <http://www.nationaljournal.com/tech/why-harry-reid-blocked-patent-reform-20140521>.

47. See Dennis Crouch, *Patent Reform 2015: Republican Agenda*, PATENTLY-O (Nov. 5, 2014), <http://patentlyo.com/patent/2014/11/patent-reform-republican.html> (suggesting that under Republican control, the question was not whether patent reform would occur, but instead how far it would go).

48. PATENT Act, S. 1137, 114th Cong. (1st Sess. 2015); Innovation Act, H.R. 9, 114th Cong. (1st Sess. 2015). House Bill 9 was reported favorably to the House by a vote of 24–8 of the House Judiciary Committee on June 11, 2015. *Markup of: H.R. 9, The Innovation Act*, U.S. HOUSE REPRESENTATIVES JUDICIARY COMMITTEE (June 11, 2015, 10:00 AM), <http://judiciary.house.gov/index.cfm/hearings?ID=2848E2C2-F705-4A03-800C-64930626A395>. Senate Bill 1137 was reported favorably to the Senate by a 16–4 vote of the Senate Judiciary Committee. Gene Quinn & Steve Brachmann, *Vocal Minority Cannot Keep PATENT Act from Passing Senate Judiciary*, IPWATCHDOG (June 5, 2015), <http://www.ipwatchdog.com/2015/06/05/patent-act-passing-senate-judiciary/id=58418/>.

49. Gugliuzza, *supra* note 13, at 282.

The patent litigation reforms would raise pleading standards for patent infringement and, most prominently, make it easier for the prevailing party to recover its litigation fees and expenses from the losing party.⁵⁰ These reforms are motivated by the belief that high patent discovery costs incentivize patentees, especially patent assertion entities, to bring weak claims and accused infringers to settle even meritorious defenses.⁵¹

The proposed reforms have directly addressed patent discovery in two ways. First, as introduced, the House reforms would limit discovery before the court interpreted the scope of the patent rights (known as “claim construction” in patent lingo) only “to information necessary for the court to determine the meaning of the terms used in the patent claim.”⁵² Because claim construction is a key issue in virtually all patent cases and can be case dispositive,⁵³ a discovery stay could prevent patent holders from using high discovery costs to extract settlements for nonmeritorious claims based on fanciful interpretations of the patent.⁵⁴ On the other hand, delaying almost all discovery until over a year after filing (the typical time to claim construction even in fast jurisdictions) would be a significant, patent-only departure from existing discovery norms, arguably conflicting with the Federal Rules’ commitment to “speedy” resolution.⁵⁵ Later versions of the House reforms adopted the Senate version of this proposal, which would also postpone discovery, but only pending resolution of a motion to dismiss, motion to transfer, or motion to sever, not pending claim construction.⁵⁶

Second, both the House and Senate reforms instruct the Judicial Conference of the United States to “develop rules and procedures . . . to address the asymmetries in discovery burdens and costs” in patent

50. Amendment in the Nature of a Substitute to H.R. 9, 114th Cong. § 3(b) (June 11, 2015) [hereinafter *House Amendment*], http://judiciary.house.gov/_cache/files/57d3eba8-347d-439b-adb8-b384210312eb/goodla-028-xml-managers-substitute-june-9-2015.pdf (Manager’s Amendment #1 by Representative Goodlatte); Amendment in the Nature of a Substitute to S. 1137, 114th Cong. § 7 (June 4, 2015) [hereinafter *Senate Amendment*], <http://www.judiciary.senate.gov/imo/media/doc/S.%201137%20Managers%27%20Amendment.pdf>.

51. H.R. REP. NO. 113-279, at 18–19, 21 (2013).

52. Innovation Act, H.R. 9, 114th Cong. § 299A (1st Sess. 2015).

53. R. Polk Wagner & Lee Petherbridge, *Did Phillips Change Anything? Empirical Analysis of the Federal Circuit’s Claim Construction Jurisprudence*, in *INTELLECTUAL PROPERTY AND THE COMMON LAW* 123, 125 (Shyamkrishna Balganesh ed., 2013).

54. Letter from Sixty-One Professors to Congress in Support of Patent Reform Legislation (Nov. 25, 2013) [hereinafter *Professors’ Letter*], http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2359621.

55. FED. R. CIV. P. 1; *see also* FED. R. CIV. P. 26(d)(1) (permitting discovery as soon as the parties have met for their initial conference).

56. *House Amendment*, *supra* note 50, § 3(d); *Senate Amendment*, *supra* note 50, § 5.

cases.⁵⁷ Specifically, they suggest that the producing party should only bear the cost of production of so-called “core” documentary evidence and that the requesting party should bear the costs, including attorney’s fees, of additional, so-called “non-core” documentary evidence otherwise permitted under the Federal Rules of Civil Procedure.⁵⁸ Ultimately, both the House and Senate reforms left the definition of core and non-core documentary evidence to the Judicial Conference.⁵⁹

However, a definition of core documentary evidence included in earlier versions of the House reforms is instructive of the type of proposals that the Judicial Conference would likely consider. It featured many of the types of information crucial to any patent dispute, including documents related to the invention’s development, the accused product’s technical operation, and prior art (i.e., existing knowledge in the field used to invalidate the patent).⁶⁰ However, only one category of core documentary evidence is directly related to damages issues: “documents sufficient to show profit attributable to the claimed invention.”⁶¹ Although unclear, this category almost certainly did not include the broad swath of information necessary to prove damages under existing law.⁶² As a result, under this proposal, *every* patentee filing a patent infringement claim would have to pay the accused infringer’s costs for a significant amount of the discovery required for a necessary element of a patent infringement claim.

The proposed patent-only allocation of discovery costs would be a fundamental change to discovery. “[S]ince the adoption of the Federal Rules in 1938, the allocation of discovery costs has been governed by the presumption that the party from whom the information is sought—the producing party—must bear the expenses associated with the fulfillment of its opponent’s discovery requests.”⁶³ Moreover, under the Federal Rules’ discovery regime, parties can obtain discovery of all relevant information on equal terms without imposed judgments about what information is more or less important.⁶⁴ Because the discovery cost shifting would apply in every case, *even to the most meritorious*

57. *House Amendment*, *supra* note 50, § 6(a)(2); *Senate Amendment*, *supra* note 50, § 6(a)(1).

58. *House Amendment*, *supra* note 50, § 6; *Senate Amendment*, *supra* note 50, § 6.

59. *House Amendment*, *supra* note 50, § 6(a)(3)(C); *Senate Amendment*, *supra* note 50, § 6(a)(3).

60. Innovation Act, H.R. 9, 114th Cong. § 296(3)(A) (1st Sess. 2015).

61. *Id.*

62. *See infra* Part III.C (discussing remedial complexity and discovery problems).

63. Martin H. Redish & Colleen McNamara, *Back to the Future: Discovery Cost Allocation and Modern Procedural Theory*, 79 GEO. WASH. L. REV. 773, 774 (2011).

64. FED. R. CIV. P. 26(b)(1).

patentees, it arguably represents a more dramatic departure from ordinary civil litigation than even the Innovation Act's general fee-shifting provisions, which only apply to losing patentees.

B. Civil Litigation Reform

Discovery may be a recent addition to the patent reform agenda, but for three decades, civil litigation reformers have sought to limit the scope and amount of discovery.⁶⁵ The arguments for limiting patent discovery echo long-standing arguments for limiting civil discovery generally.

Proponents of civil discovery reform—such as tort reform proponents, the business community, and ideological conservatives⁶⁶—contend that “[d]iscovery abuse continues to be a serious problem in the American civil justice system and is rapidly growing more pernicious.”⁶⁷ The “costs of discovery in civil litigation” are said to be “too often out of proportion to the issues at stake in the litigation.”⁶⁸ Discovery costs constitute about half of all civil litigation costs; in higher stakes cases, they constitute 90% of total litigation costs and one-third of the amount at stake.⁶⁹ Reform proponents blame “[p]laintiffs’ attorneys routinely burden[ing] defendants with costly discovery requests and engag[ing] in open-ended fishing expeditions.”⁷⁰ Practitioners and other commentators contend that the volume and production costs of modern electronic communications and electronically stored information exacerbate this problem.⁷¹ And the benefit from broad discovery is purportedly minimal, with only one out of every 1044 pages of produced documents actually used at trial.⁷²

Largely endorsing these concerns, the Judicial Conference adopted amendments to the civil discovery rules that emphasize proportionality in discovery, which will go into effect, absent congressional action, in December 2015.⁷³ Federal Rule of Civil Procedure 26 currently defines

65. Stephen N. Subrin & Thomas O. Main, *The Fourth Era of American Civil Procedure*, 162 U. PA. L. REV. 1839, 1850 (2014).

66. *Id.* at 1867–71.

67. John H. Beisner, *Discovering a Better Way: The Need for Effective Civil Litigation Reform*, 60 DUKE L.J. 547, 594 (2010).

68. JUDICIAL CONFERENCE REPORT, *supra* note 12, at app. B-5.

69. Moss, *supra* note 10, at 892.

70. Beisner, *supra* note 67, at 549.

71. *Id.* at 563–77.

72. *Id.* at 574.

73. The amendments also eliminate the court's power to order discovery relevant to the “subject matter,” not just a claim or defense, a provision that was “virtually never used.” Due to concern that it was mistakenly defining the standard for discoverable information, the

discoverable information as “any nonprivileged matter that is relevant to any party’s claim or defense.”⁷⁴ The amendments add the further requirement that it be “proportional to the needs of the case, considering the importance of the issues at stake in the action, the amount in controversy, the parties’ relative access to relevant information, the parties’ resources, the importance of the discovery in resolving the issues, and whether the burden or expense of the proposed discovery outweighs its likely benefit.”⁷⁵

Compared to the proposed patent discovery reforms, the Federal Rules amendments are minor, focused on reorganization and reemphasis.⁷⁶ Proportionality has been described as “old news” because the Federal Rules already require the court to “limit the frequency or extent of discovery” whenever “the burden or expense of the proposed discovery outweighs its likely benefit.”⁷⁷ The reforms’ main effect is a subtle, though perhaps important, shift in how proportionality is raised. Instead of requiring a court order to avoid discovery based on proportionality, the amendments allow a responding party to object to a discovery request as disproportional and beyond the scope of discoverable information, forcing the requesting party to move to compel to obtain the information.⁷⁸ Notably, the reforms reaffirm the basic discovery regime in place since 1938. While mentioning the existing authority “to allow discovery only on condition that the requesting party bear part or all of the costs of responding,” the amendments emphasize that “this clarification does not mean that cost-shifting should become a common practice. The assumption remains that the responding party ordinarily bears the costs of responding.”⁷⁹

The Federal Rules amendments have sparked strong opposition in the

amendments replace the description of relevant information as being “reasonably calculated to lead to the discovery of admissible evidence” with a statement that relevant information need not be admissible at trial. The amendments make several other minor and uncontroversial changes. JUDICIAL CONFERENCE REPORT, *supra* note 12, at apps. B-5 to -7, -9 to -19, -30 to -31.

74. FED. R. CIV. P. 26(b)(1).

75. JUDICIAL CONFERENCE REPORT, *supra* note 12, at app. B-5.

76. See Jonah B. Gelbach & Bruce H. Kobayashi, *The Law and Economics of Proportionality in Discovery 1–2* (Oct. 20, 2014) (unpublished manuscript) (on file with the Georgia Law Review and available at <http://ssrn.com/abstract=2551520>) (describing amendments as “organizational changes”).

77. FED. R. CIV. P. 26(b)(2)(C)(iii); see Moss, *supra* note 10, at 905 (noting that the problem with proportionality limits on discovery is not that they are old news, but that such limits have never worked terribly well and appear unlikely to work well for e-discovery).

78. Comments by Professors Helen Hershkoff et al. on Proposed Amendments to Federal Rules of Civil Procedure to the Committee on Rules of Practice and Procedure (Feb. 5, 2014), <http://www.regulations.gov/#!documentDetail;D=USC-RULES-CV-2013-0002-0622>.

79. JUDICIAL CONFERENCE REPORT, *supra* note 12, at apps. B-10 to -11.

procedural community.⁸⁰ Reform opponents point to a study by the Federal Judicial Center showing that discovery costs in the median civil case are minimal.⁸¹ They question the wisdom of “across the board limits on discovery” to address “the small number of complex, contentious, high-stakes cases where costs are high” and fear the amendments “are likely to undermine meaningful access to the courts and to impede enforcement of federal- and state-recognized substantive rights.”⁸²

C. *The Divide Between Patent and Civil Litigation Reform*

Patent reform debates generally assume, explicitly or implicitly, that costly and burdensome discovery is unique to patent cases, or at least worse than in other civil litigation.⁸³ Despite overlap in the motivating problems, timing, and potential effects, only passing references have been made to civil discovery reform in the patent reform debates.⁸⁴ Perhaps this is because the patent academics, practitioners, and even defendants⁸⁵ advocating for patent reform are specialists prone to ignoring other areas of law and viewing their specialized area as exceptional.⁸⁶ Or it could be a conscious lobbying strategy. Most of the proposed patent reforms are “the same, generic, anti-litigation solutions” frequently invoked and largely rejected to remedy past

80. See, e.g., Comments by Professors Helen Hershkoff et al., *supra* note 78 (urging Judicial Conference to reject Federal Rules amendments because they would be “ineffectual,” “increase costs to litigants and the court system,” “spawn confusion and create incentives for wasteful discovery disputes,” “undermine meaningful access to the courts,” and “impede enforcement of federal- and state-recognized substantive rights”); Jay Tidmarsh, *The Litigation Budget*, 68 VAND. L. REV. 855, 856 (2015), (“A controversial set of amendments to the Federal Rules of Civil Procedure will likely come into effect within six months.”).

81. Cf. Comments by Professors Helen Hershkoff et al., *supra* note 78.

82. *Id.*

83. H.R. REP. NO. 113-279, at 19 (2013) (quoting witness testimony before the committee: “While this type of [discovery] abuse no doubt exists in other types of litigation, it may be more effective in patent litigation”); Rader, *supra* note 8, at 336 (“Patent cases, in particular, produce disproportionately high discovery expenses.”); Professors’ Letter, *supra* note 54 (assuming costly and burdensome discovery is a problem of patent law).

84. See *Senate Hearing*, *supra* note 38, at 19, 41 (statements of Dana Rao, Vice President and Associate General Counsel of Intellectual Property and Litigation, Adobe Systems, Incorporated, and Steve Bossone, Ph.D., Vice President, Intellectual Property, Alnylam Pharmaceuticals) (noting applicability of Federal Judicial Conference reforms to patent cases); see also Gugliuzza, *supra* note 13, at 282 (suggesting that general civil litigation reform may make patent reform unnecessary).

85. Many corporations pushing patent discovery reforms are technology companies for whom patent litigation may be more common than other forms of litigation.

86. Cf. J. Jonas Anderson, *Patent Dialogue*, 92 N.C. L. REV. 1049, 1095 (2014) (noting shortcomings of specialized courts).

litigation “crises” in other areas of law.⁸⁷ For patent reform proponents, connecting patent reform to civil litigation reform could invoke the organized opposition, political considerations, and policy interests that have stymied more comprehensive civil litigation reform in recent decades.⁸⁸ They have better prospects of success if they portray a problem unique to patent litigation—emphasizing the role of the politically and publicly unpopular “patent troll”—and propose patent-specific reforms that purportedly have no bearing on other civil litigation. Reform opponents presumably would rather deny there is any problem than argue that patent litigation is just one example of a larger problem.⁸⁹

Tunnel vision also runs in the opposite direction. The civil discovery reform debates ignore the contemporaneous complaints about patent discovery and the accompanying legislative proposals.⁹⁰ This may be because civil litigation reformers are simply unaware of patent reform or it may be because they accept claims that patent discovery is unique and exceptional. Perhaps this is unsurprising, since patent litigation seems like a niche field, a technically complex battle between corporate interests with little relevance to civil rights, products liability, or the other types of cases that tend to drive civil litigation reform.⁹¹ On the other hand, for proponents of civil litigation reform, patent litigation offers a perfect example of high discovery costs and a vivid example of the purported consequences of problematic discovery: patent trolls.⁹² For opponents of civil litigation reform, the patent reform proposals are a good example of an alternative to the “across-the-board limits” and

87. Gugliuzza, *supra* note 13, at 282.

88. See Stephen B. Burbank & Sean Farhang, *Litigation Reform: An Institutional Approach*, 162 U. PA. L. REV. 1543, 1562–67 (2014) (describing political obstacles that have prevented enactment of comprehensive civil litigation reform).

89. Patent reform has not been totally ignored by organized interest groups that normally oppose civil litigation reform; some have blamed trial lawyers for blocking patent reform in the Senate. Brian Fung, *Who's Behind the Last-Minute Push to Thwart Patent Reform?*, WASH. POST (May 21, 2014), <http://www.washingtonpost.com/blogs/the-switch/wp/2014/05/21/whos-behind-the-last-minute-push-to-thwart-patent-reform/>.

90. See A. Benjamin Spencer, *Rationalizing Cost Allocation in Civil Discovery 2* (Jan. 2015) (unpublished manuscript) (on file with the University of Virginia School of Law and available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2557613) (arguing that what “may be coming next” for civil litigation reform is “an undoing of the producer-pays presumption itself” without mentioning patent reform).

91. Cf. David L. Schwartz, *The Rise of Contingent Fee Representation in Patent Litigation*, 64 ALA. L. REV. 335, 346–51 (2012) (describing traditional differences between patent and other civil litigation).

92. See *infra* Part II.

“untargeted amendments” they oppose.⁹³

This siloing of patent reform and civil litigation reform is problematic. At the very least, there is a potential for knowledge exchange between the parallel tracks of discovery reform. Moreover, for patent reform, isolation from civil litigation reform could lead to suboptimal policy. Many of the patent reform proposals have already been vetted in the context of civil litigation reform, with input from a wide range of interests with different knowledge and viewpoints.⁹⁴ By contrast, patent reform is being pushed largely by high technology companies that are the most popular targets of patent assertion entities.⁹⁵ The self-interest of these companies, combined with the rush to combat the perceived “crisis” of patent assertion entities, could lead to ineffectual or counterproductive policies that would have seemed less appealing if evaluated in the full context of the decades-long experience with civil litigation reform.⁹⁶

Likewise, isolation from patent reform eliminates a valuable data point for civil litigation reform. Patent litigation is now a mainstream part of the federal civil docket.⁹⁷ The volume of patent cases is much greater than securities and antitrust cases, two areas that frequently influence civil litigation reform.⁹⁸ Problems common in other civil litigation increasingly arise in patent litigation—including asymmetric possession of information between the small plaintiff (i.e., a patent assertion entity) and large corporate defendant.⁹⁹

Moreover, the proposed patent litigation reforms would be significant departures from the trans-substantive norm in procedural rules—i.e., the idea that the same procedures apply regardless of subject matter.¹⁰⁰ Therefore, the proposed reforms, their motivations, and their potential shortcomings would all seem to be valuable evidence in the on-going

93. Comments by Professors Helen Hershkoff et al., *supra* note 78.

94. For example, “loser pays” fee-shifting proposals have been proposed, debated, and rejected in general civil litigation reform for decades. See Burbank & Farhang, *supra* note 88, at 1562.

95. Fung, *supra* note 89.

96. Gugliuzza, *supra* note 13, at 292 (suggesting that the patent discovery reform proposals are “substantively flawed”).

97. John R. Thomas, *Into a Silver Age: U.S. Patent Law 1992–2012*, 23 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 525, 538–40 (2013).

98. U.S. COURTS, TABLE C., U.S. DISTRICT COURTS—CIVIL FEDERAL JUDICIAL CASELOAD STATISTICS (Mar. 31, 2014), <http://www.uscourts.gov/statistics/table/c-2/federal-judicial-caseload-statistics/2014/03/31>.

99. See *infra* Part II.A.1.

100. See David Marcus, *Trans-Substantivity and the Processes of American Law*, 2013 BYU L. REV. 1191 (discussing concept of, and debate over, trans-substantive rules).

debates as to whether, and to what extent, procedural design should abandon the trans-substantive norm.

Finally, the civil litigation community ignores patent reform at its own peril. Many of the patent reform proposals are the same procedures anti-litigation interests have tried, and continue to try,¹⁰¹ to implement more generally. In fact, the present round of patent reform looks eerily similar to the Private Securities Litigation Reform Act of 1995 (“PSLRA”), which included both heightened pleading requirements and discovery stays¹⁰² and was motivated by supposedly abusive securities litigation brought by plaintiffs’ lawyers to extort settlements.¹⁰³ The PSLRA was passed largely due to lobbying from Silicon Valley technology firms—the very same interests pushing patent reform¹⁰⁴—which in the 1990s argued that “they were the victims of too many frivolous class action securities fraud lawsuits,” just like they now argue that they are the victims of too many frivolous patent lawsuits.¹⁰⁵ Many in the procedural community objected to the PSLRA as departing from generally applicable procedural rules, hindering access to courts, and undermining more comprehensive procedural development.¹⁰⁶

The present patent reform efforts may represent another step by anti-litigation forces to achieve incrementally, subject area by subject area, reforms that they have not been able to achieve comprehensively. Patent reform thus could become a Trojan Horse, with radical changes to civil litigation quietly introduced in the patent context and then portrayed as unexceptional when proposed more generally. Indeed, the agenda for the next round of civil litigation reform (subsequent to the amendments set to go into effect in December 2015) includes discussion of whether to adopt “requestor pays” discovery provisions, in part because “aspects of ‘requester pays’ are included in some legislative proposals dealing with ‘patent trolls’ that have been introduced in Congress.”¹⁰⁷

101. See Spencer, *supra* note 90 (manuscript at 2) (arguing that “undoing of the producer-pays presumption” for discovery is next on agenda for civil litigation reformers).

102. 15 U.S.C. § 78u-4(b) (2012).

103. See Carl Tobias, *Reforming Common Sense Legal Reforms*, 30 CONN. L. REV. 537, 550–53 (1998) (“Congress meant for the [PSLRA] modifications to restrict the amount of abusive securities litigation, particularly lawsuits which are lawyer-driven or are brought to extract settlements.”).

104. Fung, *supra* note 89.

105. Dain C. Donelson & Robert A. Prentice, *Scienter Pleading and Rule 10b-5: Empirical Analysis and Behavioral Implications*, 63 CASE W. RES. L. REV. 441, 449 (2012).

106. Tobias, *supra* note 103, at 550–53, 564.

107. ADVISORY COMM. ON RULES OF CIVIL PROCEDURE, AGENDA BOOK FOR MEETING OF

II. COMPARING THE PROBLEMS OF PATENT AND CIVIL DISCOVERY

Having identified the divide currently separating patent reform and civil litigation reform, this Part and the next Part challenge what appears to be driving this divide: the belief that discovery in patent cases is somehow different from discovery in other civil litigation. This Part shows that both the costs and consequences of discovery in patent litigation are similar to other, similar-stakes civil cases. Part III concludes that the most likely cause of patent discovery problems is doctrinal complexity, a problem not unique to patent law.

A. *The Costs of Patent and Civil Discovery*

The primary justification for patent-specific discovery reform is the high costs and burdens of discovery in patent cases.¹⁰⁸ Patent cases are notoriously expensive, and discovery is a major component of these costs.¹⁰⁹ Median costs through the end of discovery are \$350,000 when less than \$1 million is at stake, \$1 million when \$1–10 million is at stake, \$2 million when \$10–25 million is at stake, and \$3 million when more than \$25 million is at stake.¹¹⁰

Patent reform proponents emphasize the asymmetry in the distribution of these costs. Because patent defendants tend to possess “the bulk of the relevant evidence,” they have higher discovery costs than the patent holder.¹¹¹ Litigation brought by patent assertion entities probably accentuates this asymmetry. Patent assertion entities normally are small operations focused just on licensing and litigation that have few relevant witnesses, documents, or other evidence.¹¹²

Complaints about high discovery costs are not unique to patent litigation. Many “lament the ‘twin scourges’ of the federal civil litigation system—namely, cost and delay—concerns that apparently affect other legal systems and whose existence can be traced back to

THE ADVISORY COMMITTEE ON CIVIL RULES, tab 9A, at 333–38 (Apr. 9–10, 2015), <http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Agenda%20Books/Civil/CV2015-04.pdf>.

108. See *supra* Part I.A.

109. Professors’ Letter, *supra* note 54, at 1. Median litigation costs in patent cases range from \$700,000 in lower stakes cases to \$5.5 million in higher stakes cases. AM. INTELLECTUAL PROP. LAW ASS’N, REPORT OF THE ECONOMIC SURVEY 2013, at I-129 (2013) [hereinafter AIPLA].

110. AIPLA, *supra* note 109, at 35.

111. *In re Genentech, Inc.*, 566 F.3d 1338, 1345 (Fed. Cir. 2009) (quoting *Neil Bros. Ltd. v. World Wide Lines, Inc.*, 425 F. Supp. 2d 325, 330 (E.D.N.Y. 2006)); Thomas M. Lenard, *Patent Reform 2.0*, HILL: CONGRESS BLOG (Nov. 1, 2013, 3:00 PM), <http://thehill.com/blogs/congress-blog/technology/188899-patent-reform-20>.

112. H.R. REP. NO. 113-279, at 31–33 (2013).

ancient times.”¹¹³ This narrative of cost and delay, most often blamed on discovery, has driven civil litigation reform for over three decades.¹¹⁴ Asymmetric discovery costs, like those in cases brought by patent assertion entities, are common in civil litigation.¹¹⁵ The Judicial Conference has explained:

One party—often an individual plaintiff—may have very little discoverable information. The other party may have vast amounts of information, including information that can be readily retrieved and information that is more difficult to retrieve. In practice these circumstances often mean that the burden of responding to discovery lies heavier on the party who has more information, and properly so.¹¹⁶

Despite these similarities to civil discovery generally, patent reform proponents further argue that “[p]atent cases . . . produce *disproportionally* high discovery expenses.”¹¹⁷ They are unclear as to what the discovery costs are disproportionate to. Total patent litigation costs? General civil litigation costs? The stakes? The complexity? Of course, the lack of “proportionality” in discovery is also the prime motivator of the current round of civil litigation reforms.¹¹⁸

Federal Judicial Center research does suggest that intellectual property cases (of which patent cases are likely the most expensive) have 62% higher *litigation* costs than the baseline, even when controlling for a variety of factors.¹¹⁹ However, disproportionate *litigation* costs do not necessarily mean that patent cases have disproportionate *discovery* costs. Patent cases could have exceptional

113. Arthur R. Miller, *From Conley to Twombly to Iqbal: A Double Play on the Federal Rules of Civil Procedure*, 60 DUKE L.J. 1, 54 (2010).

114. Danya Shocair Reda, *The Cost-and-Delay Narrative in Civil Justice Reform: Its Fallacies and Functions*, 90 OR. L. REV. 1085, 1094–101 (2012).

115. See U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-13-465, INTELLECTUAL PROPERTY: ASSESSING FACTORS THAT AFFECT PATENT INFRINGEMENT LITIGATION COULD HELP IMPROVE PATENT QUALITY 10 n.22 (2013) [hereinafter GAO] (“[A]symmetrical discovery demands, burdens, and costs are not unique to NPE patent infringement litigation. For example, parties in class actions and antitrust litigation typically face the same asymmetry.”); John C. Coffee, Jr., *The Regulation of Entrepreneurial Litigation: Balancing Fairness and Efficiency in the Large Class Action*, 54 U. CHI. L. REV. 877, 891 (1987) (describing a cost differential in favor of plaintiffs in civil discovery because “there is relatively little to be learned from the lead plaintiff”).

116. JUDICIAL CONFERENCE REPORT, *supra* note 12, at apps. B-40 to -41.

117. Rader, *supra* note 8, at 336 (emphasis added).

118. See *supra* Part I.B.

119. EMERY G. LEE III & THOMAS E. WILLGING, FED. JUDICIAL CTR., LITIGATION COSTS IN CIVIL CASES: MULTIVARIATE ANALYSIS: REPORT TO THE JUDICIAL CONFERENCE ADVISORY COMMITTEE ON CIVIL RULES 2–3, 8 (2010), [http://www.fjc.gov/public/pdf.nsf/lookup/costciv1.pdf/\\$file/costciv1.pdf](http://www.fjc.gov/public/pdf.nsf/lookup/costciv1.pdf/$file/costciv1.pdf).

litigation costs for reasons unrelated to discovery, such as greater use of expert witnesses, more extensive and voluminous summary judgment motions, or more complex trials. Focusing more specifically on discovery costs, a comparison of practitioner responses to separate surveys of discovery costs in patent litigation by the American Intellectual Property Law Association (“AIPLA”) and in civil litigation by the Federal Judicial Center can help evaluate whether “proportionality” is a more serious problem in patent discovery than other civil discovery.¹²⁰

Comparing patent litigation to the median civil case suggests that patent discovery *is* unusually costly and burdensome. In the median civil case, total costs were only estimated as \$15,000 (for plaintiffs) to \$20,000 (for defendants), with discovery costs constituting 20% (for plaintiffs) to 27% (for defendants) of total litigation costs and only 1.6% (for plaintiffs) to 3.3% (for defendants) of the stakes.¹²¹ In patent litigation, costs through the end of discovery were consistently reported as between 50% and 60% of total litigation costs.¹²² Even using the most conservative estimate, discovery costs in patent litigation were reported as at least 8% of the stakes, 250% greater than in the median civil case.¹²³

However, the stakes of the median civil case were only \$160,000 (for plaintiffs) to \$200,000 (for defendants),¹²⁴ which would be an exceptionally low stakes patent case.¹²⁵ For comparison, the AIPLA’s

120. The AIPLA and Federal Judicial Center studies are the primary empirical data relied upon in debates over patent reform and civil litigation reform, respectively. *See, e.g.*, JUDICIAL CONFERENCE REPORT, *supra* note 12, at app. B-6 (relying on FJC survey); Mark A. Lemley & A. Douglas Melamed, *Missing the Forest for the Trolls*, 113 COLUM. L. REV. 2117, 2162 n.187 (2013) (relying on AIPLA survey). The FJC survey asks for discovery costs, whereas the AIPLA asks for costs through the end of discovery, which would include pleadings, case investigation, and other preliminary matters. This difference would increase the AIPLA costs relative to the FJC costs, reinforcing the point in the text that patent discovery costs are not disproportionate compared to civil discovery costs.

121. EMERY G. LEE III & THOMAS E. WILLGING, FED. JUDICIAL CTR., NATIONAL, CASE-BASED CIVIL RULES SURVEY: PRELIMINARY REPORT TO THE JUDICIAL CONFERENCE ADVISORY COMMITTEE ON CIVIL RULES 38–39, 43 (2009).

122. AIPLA, *supra* note 109, at I-129 to -132.

123. *Id.* The AIPLA report provides a single median cost through the end of discovery for various ranges of stakes. The conservative estimate relies on the median discovery costs for the \$1–10 million range (\$1 million) divided by the upper bound of the range (\$10 million), or 10%, and the median discovery costs from the \$10–25 million range (\$2 million) divided by the upper bound of the range (\$25 million), or 8%.

124. LEE & WILLGING, *supra* note 121, at 42.

125. John M. Golden, *Litigation in the Middle: The Context of Patent-Infringement Injunctions*, 92 TEX. L. REV. 2075, 2099–105 (2014) (describing patent cases with monetary awards of \$350,000 and even \$570,536 as “[patent] cases involving relatively modest monetary

lowest category encompassed all patent cases with less than \$1 million at stake.¹²⁶ Since the monetary stakes are the best predictor of both total litigation and discovery costs,¹²⁷ higher stakes patent litigation *should* have significantly higher discovery costs than the lower-stakes median civil case.

The 95th percentile of civil cases is more similar to patent litigation, with stakes in the \$4–5 million range.¹²⁸ In these cases, discovery costs were reported as 80% of total litigation costs,¹²⁹ compared to the 50% of total costs incurred through the end of discovery in patent cases with \$1–10 million at stake.¹³⁰ Discovery costs in the 95th percentile of civil cases were also reported as 25–30% of the stakes.¹³¹ In patent litigation with similar stakes, discovery costs were reported as 20% of the stakes.¹³²

Thus, patent discovery only seems extraordinarily expensive when not accounting for the stakes of the litigation. Discovery in patent litigation is on par with discovery in other civil litigation of similar stakes. Whether discovery in high-stakes cases is properly calibrated or is excessive is an important, and very difficult, question. But it is not a patent question. “[T]he problem with excessive discovery is—and has always been—more pervasive with respect to a particular slice of ‘mega cases,’ approximately five to fifteen percent of the civil caseload.”¹³³ Patent litigation is just one example of this “small subset” of “complex, contentious, high stakes cases” where discovery is widely seen as problematic.¹³⁴

B. *The Consequences of Patent and Civil Discovery*

Patent discovery is seen as problematic not just because of the costs themselves but also because the consequences of these costs. The high

stakes”).

126. AIPLA, *supra* note 109, at I-129 to -132.

127. Lee & Willging, *supra* note 35, at 772; Thomas E. Willging et al., *An Empirical Study of Discovery and Disclosure Practice Under the 1993 Federal Rule Amendments*, 39 B.C. L. REV. 525, 549–50 (1998).

128. LEE & WILLGING, *supra* note 121, at 42.

129. *Id.* at 38–39.

130. AIPLA, *supra* note 109, at I-129 to -130.

131. LEE & WILLGING, *supra* note 121, at 43.

132. The median discovery costs in the AIPLA’s \$1–10 million stakes category is \$1 million. Assuming a relatively smooth cost curve in this category, this provides a rough estimate of the costs in a case at the median of the category, i.e., with \$5 million at stake. AIPLA, *supra* note 109, at I-129.

133. Subrin & Main, *supra* note 65, at 1850.

134. Comments by Professors Helen Hershkoff et al., *supra* note 78.

patent discovery costs purportedly provide defendants “a strong incentive to fold and settle patent suits early, even when they believe the claims against them are meritless.”¹³⁵ Patentees, especially patent assertion entities, consequently have incentives to bring weak claims, knowing that defendants will settle even nonmeritorious claims for less than the cost of defense.¹³⁶ The asymmetry in discovery costs between patent assertion entities and accused infringers is said to provide patent assertion entities leverage in settlement discussions and incentivize excessive discovery requests.¹³⁷ In fact, some argue that the problem of patent trolls “stems largely from” high discovery and other litigation costs.¹³⁸ On this view, the push for patent-specific discovery reform is unsurprising. Most commentators believe that patent assertion entities “impose[] substantial direct costs on high-tech innovators with little apparent offsetting benefit to inventors or innovators”¹³⁹ and “have had a negative impact on innovation and economic growth.”¹⁴⁰

However, a vigorous debate continues on whether patent assertion entities are as problematic as commonly thought.¹⁴¹ Even assuming so, discovery costs may not be a significant source of this problem. A variety of factors are blamed for the rise of patent assertion entities, and it is uncertain how much responsibility to attribute to discovery costs as opposed to, for example, uncertain patent scope or the potential for high damages awards.¹⁴² At least some patent assertion entities, so called “lottery ticket” trolls, are not seeking “cost of defense” settlements but

135. Professors’ Letter, *supra* note 54, at 1.

136. See H.R. REP. NO. 113-279, at 31–32 (2013) (suggesting that overly burdensome discovery requests force defendants to settle simply to avoid the costs of discovery); Professors’ Letter, *supra* note 54, at 1 (“Companies accused of infringement, thus, have a strong incentive [from high discovery costs] to fold and settle patent suits early, even when they believe the claims against them are meritless.”).

137. H.R. REP. NO. 113-279, at 31–33.

138. Randall R. Rader et al., Opinion, *Make Patent Trolls Pay in Court*, N.Y. TIMES, June 5, 2013, at A25.

139. James Bessen & Michael J. Meurer, *The Direct Costs from NPE Disputes*, 99 CORNELL L. REV. 387, 388 (2014).

140. COUNCIL OF ECON. ADVISORS, EXEC. OFFICE OF THE PRESIDENT, PATENT ASSERTION AND U.S. INNOVATION 2 (2013) [hereinafter EXEC. OFFICE OF THE PRESIDENT].

141. See Schwartz & Kesan, *supra* note 5, at 427 (arguing that “there is little hard data, and much of the data that exists is mixed or inconclusive,” as to the effect of patent assertion entities); see also Michael J. Mazzeo et al., *Do NPEs Matter?: Non-Practicing Entities and Patent Litigation Outcomes*, 9 J. COMPETITION L. & ECON. 879, 904 (2013) (arguing that whether patent assertion entities “are good or bad for technology innovation remains an open question” and that “the vertical separation of patent rights from technology embodied by PAEs could have important advantages”).

142. See GAO, *supra* note 115, at 28–34 (discussing potential causes of rise of patent assertion entities litigation).

instead “hope[] to strike it big in court”¹⁴³ Their business model does not depend on imposing high discovery costs on defendants.

To be sure, some patent assertion entities do rely on high discovery costs. These “bottom-feeder” trolls “are interested in quick, low-value settlements” and “rely on the high cost of patent litigation . . . to induce the parties they sue to settle for small amounts of money rather than pay millions to their lawyers.”¹⁴⁴ The concern with these bottom feeder trolls is not settlements based on high discovery costs per se, but rather the merits of the claims they bring. If these claims were meritorious, settlements that avoid the costs of litigation would be socially desirable, since litigation costs are deadweight losses. However, the concern is that high discovery costs induce defendants to settle even non-meritorious cases for less than the cost of defense. The problem, then, is the result of two factors: (1) low merit claims, and (2) high discovery costs. As a result, it is not illogical that those concerned with patent assertion entities, especially bottom-feeder trolls, seek reforms focused on reducing discovery costs. Yet, discovery reforms are not well positioned to distinguish between low-merit and meritorious cases. For example, the currently proposed discovery reforms apply equally to the most meritorious and the least meritorious cases. In doing so, they burden even the strongest patent assertions to address a problem with the weakest patent assertions. Arguably, merits-related reforms, such as the heightened pleading requirements and loser pays fee shifting of the current patent reform proposals, are better situated to address concerns with bottom feeder trolls. This is because these reforms more precisely target weak claims, thus minimizing the spillover effects that reforms have on stronger claims.

In any event, the exact same problems from high discovery costs associated with bottom feeder trolls are also attributed to high discovery costs in civil litigation generally. The primary concern with excessive civil discovery is that “the time and expense defendants must devote to responding to voluminous discovery requests will make settlement more attractive” and the “risks of . . . litigation will produce unjustified settlements.”¹⁴⁵ The criticisms of plaintiffs’ lawyers in general civil litigation, often made by those sympathetic to defense interests, echo criticisms of bottom-feeder trolls in the patent context.¹⁴⁶ For example,

143. Lemley & Melamed, *supra* note 120, at 2126.

144. *Id.*

145. Beisner, *supra* note 67, at 594; John G. Koeltl, *Progress in the Spirit of Rule 1*, 60 DUKE L.J. 537, 538 (2010).

146. Plaintiffs’ lawyers from other fields have begun to represent patent assertion entities on a contingency fee basis. Schwartz, *supra* note 91, at 363.

plaintiffs' lawyers are accused of "bring[ing] unmeritorious cases" knowing that high litigation costs will force defendants to pay to settle even the weakest claims.¹⁴⁷ Likewise, critics suggest that "contingency fees provide plaintiffs' lawyers with a perverse incentive to file speculative claims specifically to obtain quick settlements, either 'nuisance settlements' with small businesses who can little afford to pay for a protracted legal fight, or 'blackmail settlements' with large companies facing onerous and expensive litigation."¹⁴⁸ Plaintiffs' lawyers are said to be "a drain on the American economy and a serious threat to the livelihood and lifestyle of many Americans,"¹⁴⁹ obtaining huge fees with little to no benefit for the other ordinary people they represent.¹⁵⁰

Even if the discovery problems are the same in patent litigation and other comparable civil litigation, they arguably pose greater risks in patent litigation. Patent law is sometimes seen as having a special, constitutionally enshrined role to promote innovation and fuel America's economy.¹⁵¹ Patent reform proponents make dramatic claims about how high patent discovery costs "only serve[] as an unhealthy tax on innovation and open competition" that costs American workers jobs and American consumers new and improved products.¹⁵² However, those in specialized fields often believe "exceptionalist approaches" are warranted without much normative support.¹⁵³ That seems to be the case here. The supposed needs of innovation now used to justify special patent-only procedural rules that *restrict* enforcement

147. Koeltl, *supra* note 145, at 538.

148. Steven B. Hantler et al., *Is the "Crisis" in the Civil Justice System Real or Imagined?*, 38 LOY. L.A. L. REV. 1121, 1141 (2005).

149. Anthony J. Sebok, *Dispatches from the Tort Wars*, 85 TEX. L. REV. 1465, 1466 (2007) (quoting CTR. FOR LEGAL POLICY, MANHATTAN INST., TRIAL LAWYERS, INC. 5 (2003)) (reviewing TOM BAKER, *THE MEDICAL MALPRACTICE MYTH* (2005); WILLIAM HALTOM & MICHAEL McCANN, *DISTORTING THE LAW: POLITICS, MEDIA, AND THE LITIGATION CRISIS* (2004); HERBERT M. KRITZER, *RISKS, REPUTATIONS, AND REWARDS: CONTINGENCY FEE LEGAL PRACTICE IN THE UNITED STATES* (2004)).

150. See Myriam Gilles & Gary B. Friedman, *Exploding the Class Action Agency Costs Myth: The Social Utility of Entrepreneurial Lawyers*, 155 U. PA. L. REV. 103, 114 (2006) (describing arguments about high attorneys' fees and low benefits to the class members in class action settlements).

151. See David O. Taylor, *Formalism and Antiformalism in Patent Law Adjudication: Rules and Standards*, 46 CONN. L. REV. 415, 473–80 (2013) (describing an argument for patent-special legal rules because of a need "to encourage investment by rational market participants in developing and disclosing new and useful inventions").

152. Rader, *supra* note 8, at 337; see Professors' Letter, *supra* note 54, at 3.

153. Gugliuzza, *supra* note 1, at 1818. Those in specialized fields have an unsurprising tendency to view their fields as particularly important and the needs of their fields as unique, perhaps due to tunnel vision or a conscious or unconscious desire to bolster their own importance.

of patent rights were used only a few years ago to justify special patent-only procedural rules that *enhanced* enforcement of patent rights.¹⁵⁴ This inconsistency makes the supposed needs of innovation a questionable basis on which to rest public policy.

Moreover, litigation costs are always deadweight losses resulting in the inefficient use of resources that could be better spent on more socially productive activities. There is no reason to think that resources misdirected to patent litigation are any more harmful to American businesses than resources misdirected to products liability, securities, or other litigation. Civil litigation reformers use the same rhetoric of a “litigation tax” on American business resulting from high discovery costs that allegedly increases product prices, decreases wages, “hampers productivity and innovation,” hinders international competitiveness, and discourages investment in the United States.¹⁵⁵

In sum, discovery in patent cases may be problematic. Its costs certainly are high, and its effects—including its potential relationship to the rise of patent assertion entities—may be significant. However, this is not a patent problem but instead a civil litigation problem common to so-called “mega cases”—complex, high stakes, and contentious cases. In fact, the rise of patent assertion entities has made discovery in patent cases look *more* like discovery in other civil litigation.

III. COMPARING THE CAUSES OF PATENT AND CIVIL DISCOVERY PROBLEMS

As explained in Part II, the costs and consequences of discovery in patent cases look surprisingly similar to other comparable civil cases, i.e., complex, high stakes, and contentious cases. What about the causes of costly and expansive discovery? If the costs and burdens of discovery in patent cases exist for different reasons than in other complex, high stakes cases, then “patent exceptionalist” discovery reforms may be logical. Commentators point to two patent-specific causes of costly discovery—the abusive practices of patent assertion entities and the inherent technical complexity of patent cases. This Part evaluates and questions the role of these patent-specific explanations in causing costly and expansive patent discovery. It further suggests that complex and open-ended remedial doctrines are more likely to be a substantial contributor to the costs and burdens of discovery in patent cases. Though these remedial doctrines themselves are unique to patent

154. See Taylor, *supra* note 151, at 473–80 (justifying pro-patent exceptionalist rules based on needs of innovation).

155. Beisner, *supra* note 67, at 575–76.

law, other areas of civil litigation have similar broad and open-ended substantive doctrines that contribute to costly and expansive discovery.

A. Patent Assertion Entities and Discovery Problems

Patent assertion entities are blamed for most problems with the patent system.¹⁵⁶ Patent discovery is no exception. Two distinct claims are made about the relationship between patent assertion entities and discovery problems. First, as previously discussed, patent assertion entities are said to exploit high discovery costs that asymmetrically fall on defendants to extract cost-driven settlements, even for weak claims.¹⁵⁷ On this view, patent assertion entities are an *effect* of high patent discovery costs (an effect that is probably better addressed through merits-focused reforms, as discussed previously in Part II.B). Second, patent assertion entities are described as a *cause* of high discovery costs, with patent litigation brought by patent assertion entities said to have higher per case discovery costs than that brought by practicing patentees.¹⁵⁸ Patent assertion entities purportedly have unique “incentive[s] to apply ‘scorched earth’ techniques to force defendants to spend an inordinate amount of time and energy collecting and producing volumes of documents that are ultimately irrelevant to the merits of the case.”¹⁵⁹ The belief that patent assertion entities cause higher discovery costs than practicing patentees is one of the driving forces behind Congress’s patent-specific discovery reform proposals.¹⁶⁰

Even if the causal story were true, patent litigation would seem to mimic other comparable civil litigation in this regard. Plaintiffs’ lawyers in other areas of civil litigation purportedly “routinely burden defendants with costly discovery requests and engage in open-ended fishing expeditions.”¹⁶¹ More importantly, the notion that patent assertion entities raise discovery and litigation costs compared to practicing patentees is empirically flawed and theoretically counterintuitive.

156. Lemley & Melamed, *supra* note 120, at 2118–21.

157. Professors’ Letter, *supra* note 54, at 1.

158. See Lemley & Melamed, *supra* note 120, at 2161 (“[T]he idea that dealing with troll patents is more costly than dealing with practicing entities seems to resonate with those facing troll suits.”).

159. *House Hearing*, *supra* note 39, at 20.

160. See H.R. REP. NO. 113-279, at 31–33 (2013) (discussing witnesses’ accounts of the cost and burden of discovery).

161. Beisner, *supra* note 67, at 549.

1. Empirically, Discovery Costs are *Lower* in Patent Assertion Entity Litigation

The best available empirical evidence demonstrates that discovery costs are *lower* in cases brought by patent assertion entities. The AIPLA 2013 survey for the first time distinguished costs in non-practicing entity cases and, as shown in Table 1, costs through the end of discovery were consistently lower regardless of the stakes.

TABLE 1: Patent Litigation Costs Through End of Discovery Based on Type of Litigation¹⁶²

Litigation Type	< \$1 Million at Risk	\$1–25 Million at Risk	> \$25 Million at Risk
All	\$350,000	\$1,400,000	\$3,000,000
Non-Practicing Entity	\$300,000	\$983,000	\$2,500,000

Because the AIPLA's survey does not distinguish between patentee and accused infringer costs, it could obscure a different distribution of costs in patent assertion entity cases, with accused infringers' costs higher than in cases brought by practicing patentees and patentees' costs significantly lower.¹⁶³ However, the most comprehensive effort to quantify the costs of patent assertion entities, a study by Professors Bessen and Meurer, looked just at the costs to *defendants* in patent assertion entity cases. To validate their findings, Bessen and Meurer noted that the defendants' direct legal costs in their survey were generally *less* than the costs through the end of discovery for all patent litigation in the AIPLA's 2011 survey.¹⁶⁴ Thus, the best empirical evidence suggests that it is less costly to litigate against patent assertion entities than practicing patentees.

No empirical evidence suggests otherwise. Arguments blaming high discovery costs on patent assertion entities often note that there was a dramatic rise in discovery costs—which doubled between 2001 and 2013¹⁶⁵—over the same time period that patent assertion entities' share

162. AIPLA, *supra* note 109, at 34–35.

163. Thanks to Mark Lemley for raising this possibility with me.

164. Bessen & Meurer, *supra* note 139, at 401–02 (making adjustments for likelihood of settlement and noting some uncertainty as to whether the AIPLA survey is reporting means or medians).

165. Compare AIPLA, *supra* note 109, at I-129 to -131 (showing median cost of patent

of patent cases rose significantly.¹⁶⁶ Correlation is hardly evidence of causation. In the same time period, the “exponential growth of and reliance on electronic documents and communications” is popularly believed to have increased discovery costs.¹⁶⁷ Additionally, the hourly billing rate of intellectual property lawyers was one and a half times greater in 2013 than 2001,¹⁶⁸ accounting for a significant part of the increased discovery costs.

2. Theoretically, Discovery Costs Should Be *Lower* in Patent Assertion Entity Litigation

The empirical evidence is hardly surprising. The relevant differences between litigation brought by patent assertion entities and practicing patentees should *decrease*, not *increase*, the burden and cost of discovery in patent assertion entity cases. First, the stakes in litigation brought by patent assertion entities tend to be lower than in litigation brought by practicing patentees.¹⁶⁹ Unsurprisingly, “higher monetary stakes in the underlying litigation” are associated with higher litigation and discovery costs.¹⁷⁰ Thus, discovery costs *should be lower* in comparatively lower stakes patent assertion entity litigation than in comparatively higher stakes practicing patentee litigation.

Second, patent assertion entities are frequently represented by contingent-fee lawyers, whereas practicing patentees are normally

litigation through end of discovery as \$530,000 when less than \$1 million at risk; \$1,680,000 when \$1–25 million at risk; and \$3,571,000 when more than \$25 million at risk), with AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2001, at 84–85 (2001) [hereinafter AIPLA 2001] (showing median cost of patent litigation through end of discovery as \$250,000 when less than \$1 million at risk; \$797,000 when \$1–25 million at risk; and \$1,508,000 when more than \$25 million at risk).

166. Professors' Letter, *supra* note 54, at 1; see also EXEC. OFFICE OF THE PRESIDENT, *supra* note 140, at 5 (describing the rise of patent assertion entities over past decade).

167. FED. CIRCUIT ADVISORY COMM., *supra* note 42, at 2.

168. Compare AIPLA, *supra* note 109, at I-8, I-129 to -131 (\$350), with AIPLA 2001, *supra* note 165, at 37, 84–85 (\$240).

169. See Mazzeo et al., *supra* note 141, at 897–98 (finding that damages awards are not higher, and may be lower, in patent assertion entity cases than practicing patentee cases); Colleen Chien, Assistant Professor, Santa Clara Univ., Patent Assertion Entities, PowerPoint Presentation at FTC/DOJ Workshop on PAEs 69 (Dec. 10, 2012) (finding that 90% of patent assertion entity cases have total costs—settlement or judgment plus legal fees—of less than \$10 million); see also Lemley & Melamed, *supra* note 120, at 2140 (“[P]atent damages—at least as classically understood—should be higher when practicing entities assert patents than when trolls do.”); *id.* at 2143 (“[P]racticing entities often have strategic interests that lead them to seek not only injunctions, but also higher royalties or settlement payments than a troll would seek.”). But see Bessen & Meurer, *supra* note 139, at 401 n.70 (claiming that “the stakes tend to be higher” in patent assertion entity suits, though without providing support).

170. LEE & WILLGING, *supra* note 119, at 1 (litigation costs); see also Willging et al., *supra* note 127, at 549–50 (discovery costs).

represented by hourly fee lawyers.¹⁷¹ Hourly fee lawyers have incentives to engage in “scorched earth” litigation tactics because it maximizes their fees, while contingent-fee lawyers have incentives to keep costs down to maximize their profits.¹⁷² As a result, higher litigation costs are generally associated with billable hour, not contingency, lawyers: “Plaintiff attorneys charging by the hour reported costs almost 25% higher than those using other billing methods (primarily contingency fee), all else equal.”¹⁷³ Since broad and aggressive discovery increases the compensation of the billable-hour attorneys that normally represent practicing patentees and decreases the compensation of contingent-fee attorneys that normally represent patent assertion entities, discovery costs in patent assertion entity cases should be lower than in practicing patentee cases.

Those blaming discovery problems on patent assertion entities suggest that patent assertion entities can “propound extremely burdensome discovery to corporate defendants without fearing that they will be on the receiving end of corresponding burdens” because they do not have their own products that would subject them to counterclaims and because they have less complex business operations—and thus fewer witnesses and far fewer documents—to produce in discovery.¹⁷⁴ However, counterclaims for infringement against the patentee require a significant investment of time and money, and “there is a dearth of empirical evidence about how frequently counterclaims for patent infringement arise in competitor litigation.”¹⁷⁵ Moreover, patentees generally have less discoverable information than accused infringers.¹⁷⁶ It is not clear how much greater the asymmetry is with patent assertion entities.

In any event, this argument overstates how easy it is to impose high discovery costs simply by propounding broad discovery requests. The

171. Schwartz, *supra* note 91, at 356, 372, 374.

172. *Id.* at 361, 366.

173. LEE & WILLGING, *supra* note 119, at 6; *see also* Willging at al., *supra* note 127, at 541 (providing evidence suggestive of higher discovery costs for billable-hour lawyers as compared to contingent-fee lawyers).

174. H.R. REP. NO. 113-279, at 31 (2013) (quoting witness testimony before a hearing of the Subcommittee on Courts, Intellectual Property, and the Internet); Professors’ Letter, *supra* note 54, at 1.

175. David L. Schwartz, *On Mass Patent Aggregators*, 114 COLUM. L. REV. 51, 53 n.8 (2014); *see* Jan M. Conlin & Marta M. Chou, *Case Strategies to Succeed in the Changing World of Patent Litigation*, in LITIGATION STRATEGIES FOR INTELLECTUAL PROPERTY CASES: LEADING LAWYERS ON ADAPTING TO NEW TRENDS, IMPROVING COURTROOM TACTICS, AND UNDERSTANDING THE IMPACT OF RECENT DECISIONS 17 (2010) (explaining the extensive pre-filing steps that must be taken by a party making a patent assertion, including as a counterclaim).

176. *In re Genentech, Inc.*, 566 F.3d 1338, 1345 (Fed. Cir. 2009).

two most costly aspects of discovery for responding parties are depositions and document production. Depositions clearly require a significant expenditure by the propounding party, who must prepare and appear for the deposition, pay for the deposition space and court reporter, and normally travel to the location of the witness. Less obviously, obtaining document production from the defendant in modern litigation also requires a significant investment by the requesting party. “Under the current Rules, parties and their counsel are motivated to treat discovery requests and responses as merely their first offers in what will often be a protracted series of bargaining sessions.”¹⁷⁷ The typical response to broad document requests is boilerplate objections and evasive and incomplete answers. The result is “an iterative, multi-step ordeal, in which responses are followed by conferences, then amended responses, then further conferences, and so on. All of this haggling and negotiation over what should largely be well-settled matters . . . drives up costs” for the requesting party, not just the responding party.¹⁷⁸ Thus, in practice, patent assertion entities can propound broad discovery requests but cannot impose significant costs and burdens on defendants without incurring significant costs themselves. As a result, their attorneys’ contingent-fee structure will discipline their ability to impose costs and burdens on defendants, even if the threat of receiving reciprocally costly and burdensome discovery requests does not.

B. Technical Complexity and Discovery Problems

Aside from patent assertion entities, the most commonly blamed cause for the costs and burdens of discovery in patent cases is “[t]he complexity inherent in patents.”¹⁷⁹ The Government Accountability Office endorsed this view, suggesting that “the technical complexity of patent cases leads to expansive discovery requests that are time consuming and expensive.”¹⁸⁰ Likewise, Congress pointed to patent litigation’s “technical nature and complexity” to justify patent-specific discovery reform.¹⁸¹

177. Daniel C. Girard & Todd I. Espinosa, *Limiting Evasive Discovery: A Proposal for Three Cost-Saving Amendments to the Federal Rules*, 87 DENV. U. L. REV. 473, 476 (2010).

178. *Id.* at 477.

179. Varndell & Varndell, *supra* note 37, at 224; *see also* 6 PATRICK E. HIGGINBOTHAM, MOORE’S FEDERAL PRACTICE § 26.46[12][f] (3d ed. 2015), LEXIS (blaming expensive discovery in patent litigation on “the complexity of the technical issues that attend patent infringement and invalidity claims”).

180. GAO, *supra* note 115, at 37.

181. H.R. REP. NO. 113-279, at 19 (2013).

Two distinct types of activities are sometimes labeled “discovery” in patent litigation. First, during fact discovery, the parties exchange relevant information about historical events related to the litigation—for example, the conception of the invention or the development of the product accused of infringing. Second, during expert “discovery,” the parties exchange reports from, and conduct depositions of, expert witnesses. “Experts play a critical role in patent litigation,”¹⁸² in significant part because of patent litigation’s inherent technical complexity. Thus, technical complexity undoubtedly increases total litigation costs in patent cases, in part because of the increased need and importance of expert witnesses in patent litigation as compared to other cases.¹⁸³ However, current patent reform efforts are motivated by the costs and burdens of fact discovery in patent cases and propose discovery reforms focused on fact discovery. After a brief background on patent litigation for unfamiliar readers, the following sections suggest that technical complexity is *not* a particularly persuasive explanation for costly and expansive fact discovery in patent cases because the primary technical issues are surprisingly not discovery-intensive.

1. Patent Discovery in Context

Five major issues arise in most patent cases: claim construction, infringement, invalidity, damages, and willfulness.¹⁸⁴ The first three issues constitute the technical side of patent litigation. Claim construction is the interpretation of the claims at the end of the patent that define the legal rights.¹⁸⁵ A patent is infringed if the product at issue (“accused product”) falls within the scope of the properly interpreted patent claim.¹⁸⁶ A patent is invalid if it fails to satisfy the statutory requirements for a patent.¹⁸⁷

The remaining two major issues—damages and willfulness—

182. ETHAN HORWITZ & LISA HERSHMAN, PATENT LITIGATION: CLIENT HANDBOOK § 6.01[1] (2012).

183. See Xuan-Thao Nguyen, *Dynamic Federalism and Patent Law Reform*, 85 IND. L.J. 449, 455 (2010) (noting that “[a]ll [patent] litigation steps are factually intensive and generally exorbitantly expensive,” because, among other reasons, the lawyers need experts in the relevant fields to explain the technology at issue to them, and subsequently to the judges and jurors). Additionally, as a result of technical complexity, case investigation and evaluation probably require more time and effort, and trials are probably longer and more complicated.

184. Norman Beamer, *The Basics of an Effective Patent Strategy*, in PATENT LITIGATION AND DISPUTE RESOLUTION, *supra* note 36, at 7, 9.

185. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373–74 (1996).

186. *Id.* at 374.

187. 35 U.S.C. § 282(b)(2) (2012).

constitute the remedial part of patent litigation. A successful patentee is entitled to compensatory damages for infringement in the form of lost profits or a reasonable royalty.¹⁸⁸ The primary result of a finding of willful infringement is an award of enhanced damages—up to triple compensatory damages—and attorneys’ fees.¹⁸⁹ Infringement is willful if “the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent” (objective prong) and this “was either known or so obvious that it should have been known to the accused infringer” (subjective prong).¹⁹⁰ Recent developments have made willful infringement harder to prove, but the patentee still “usually claims that the accused infringer willfully infringed.”¹⁹¹

Aside from these major issues, the most common secondary issue in patent litigation is inequitable conduct: whether the patent is unenforceable due to misconduct by the patent holder before the United States Patent and Trademark Office (“Patent Office”).¹⁹² Pleading and substantive standards for inequitable conduct have been tightened in recent years, and the defense is now raised in less than 20% of patent cases.¹⁹³ Patent defendants occasionally raise issues related to the inventorship or ownership of the patent.¹⁹⁴ Defendants also sometimes claim patent misuse or antitrust violations.¹⁹⁵ Finally, additional issues arise when the patent holder and the accused infringer had a prior relationship, such as whether a contract between the parties was breached or whether the patentee is estopped based on its prior representations.¹⁹⁶

These secondary issues can be fact-intensive, involving the development of the invention, the acquisition of the patent, and the relationship of the parties. However, they are unlikely to significantly contribute to the discovery problems motivating patent reform. Not only are they less common, but the patentee tends to possess the bulk of information relevant to these issues. By contrast, patent reform is

188. 7 DONALD S. CHISUM, CHISUM ON PATENTS § 20.03 (1997).

189. 35 U.S.C. §§ 284–285; Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After In re Seagate: An Empirical Study*, 97 IOWA L. REV. 417, 419 (2012).

190. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).

191. William L. LaFuze et al., *Willful Infringement*, in PATENT LITIGATION STRATEGIES HANDBOOK 1153, 1154 (Barry L. Grossman & Gary M. Hoffman eds., 3d ed. 2010).

192. HORWITZ & HERSHMAN, *supra* note 182, § 2.09[1][a].

193. Jason Rantanen, *Recalibrating Our Empirical Understanding of Inequitable Conduct*, 3 IP THEORY 98, 106–08 (2013).

194. 8 CHISUM, *supra* note 188, § 22.02.

195. Tom Filarski & Heather N. Shafer, *Patent Defenses*, in PATENT LITIGATION STRATEGIES HANDBOOK, *supra* note 191, at 1223, 1287–301.

196. *Id.* at 1302, 1305–13.

motivated by situations in which the accused infringer asymmetrically possesses the bulk of the information.¹⁹⁷

2. Claim Construction and Infringement

Claim construction is at best a trivial part of fact discovery in patent cases. The parties' subjective understandings of the claim are irrelevant to claim construction, which focuses on the patent itself and the publicly available history of the Patent Office proceedings.¹⁹⁸ So-called "extrinsic evidence" of general meaning in the technical field may also be relevant but is disfavored by courts and rarely used by parties.¹⁹⁹ Even when extrinsic evidence is used, it is normally dictionary definitions, prior publications or patents in the field, and expert declarations identified and exchanged by lawyers in litigation,²⁰⁰ not evidence obtained from the parties during discovery.

Infringement depends strictly on a comparison of the accused product to the requirements of the patent claim and does not require knowledge, intent, motivation, or any other factual information about "who did what and when."²⁰¹ Discovery on infringement generally requires a straightforward production of information on the technical characteristics of the accused product, i.e., what features it has and how it works.²⁰² This typically requires three sources of factual information: (1) samples of the actual product; (2) a handful of technical documents that explain the structure and operation of the accused product, such as manuals, schematics, software code, or applications to the Food and Drug Administration ("FDA") for drug approval; and (3) a deposition of one or more scientists or engineers familiar with the structure and

197. Professors' Letter, *supra* note 54, at 1.

198. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–17 (Fed. Cir. 2005) (en banc).

199. John P. Fry, *Helping Clients Navigate the Unfamiliar Waters of Patent Litigation*, in *PATENT LITIGATION AND DISPUTE RESOLUTION*, *supra* note 36, at 39, 51.

200. N.D. Cal. Pat. R. 4-2(b).

201. See 5 CHISUM, *supra* note 188, § 16.02[2] ("One making, using or selling matter covered by a patent without authority of the owner infringes regardless of knowledge or intent . . ."); F. SCOTT KIEFF ET AL., *PRINCIPLES OF PATENT LAW: CASES AND MATERIALS* 819–20 (5th ed. 2011) (summarizing requirements for infringement); Richard A. Cederoth, *Preparing for Patent Litigation*, in *PATENT LITIGATION AND DISPUTE RESOLUTION*, *supra* note 36, at 101, 104 ("[P]atent infringement litigation is also unique in that it is not necessary to prove intent to bring a claim. . . . Therefore, these cases are often based not so much on who did what and when.").

202. Fry, *supra* note 199, at 48; Edward H. Rice, *A Strategic Approach to Patent Litigation*, in *PATENT LITIGATION AND DISPUTE RESOLUTION*, *supra* note 36, at 19, 25. Patentees often phrase their requests as "all" technical documents, but courts and litigants recognize that they are limited to documents "sufficient to show" the technical characteristics. See, e.g., N.D. Cal. Pat. R. 3-4(a) (requiring an accused infringer to produce "documentation sufficient to show the operation of any aspects or elements of an Accused Instrumentality").

operation of the accused product.²⁰³ In-house counsel for high-tech companies suggest that in most cases the plaintiff's entire infringement case can be built from one response to a discovery request, namely, the request for source code.²⁰⁴ Similarly, in the pharmaceutical industry, infringement often can be determined entirely from the materials submitted to the FDA.²⁰⁵

Fact-intensive issues of who did what, when, and where can arise from the additional requirement for infringement that the accused product be made, used, sold, offered for sale, or imported in the United States during the term of the patent.²⁰⁶ However, accused infringers rarely dispute, and often stipulate to committing the relevant acts in the United States during the patent term.²⁰⁷ Fact-intensive questions also arise if the claim is not that the defendant directly infringed the patent, but rather encouraged others to infringe ("inducement") or supplied a key component necessary to infringe ("contributory infringement"), both of which have knowledge or intent requirements.²⁰⁸ Still, direct infringement claims are the norm and indirect infringement claims are comparatively less common.²⁰⁹

3. Invalidity

There are three major types of invalidity defenses: (1) failure to claim patentable subject matter; (2) failure to adequately disclose the invention; and (3) failure to adequately advance over the prior art.²¹⁰ Because patentable subject matter focuses just on the patent itself and the precedent interpreting the PATENT Act, it does not require discovery and can be resolved on the pleadings.²¹¹ Like claim

203. Beamer, *supra* note 184, at 9. Infringement discovery can involve highly sensitive technical information. *Id.* at 15. In modern litigation, most accused infringers willingly produce even the most sensitive technical information under an appropriate protective order. *Senate Hearing, supra* note 38, at 9.

204. *Senate Hearing, supra* note 38, at 9; *see also House Hearing, supra* note 39, at 32 (statement of Kevin T. Kramer, Vice President and Deputy General Counsel Intellectual Property, Yahoo! Inc.).

205. *Ferring B.V. v. Watson Labs., Inc.*, 764 F.3d 1401, 1408–09 (Fed. Cir. 2014).

206. 35 U.S.C. § 271(a) (2012).

207. *Cf. Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1454 (Fed. Cir. 1998) (en banc) (identifying two steps in infringement analysis are determining meaning of claims and comparing claims to accused product), *abrogated by* FED. R. CIV. P. 52(a)(6).

208. 35 U.S.C. § 271(b)–(c); 5 CHISUM, *supra* note 188, §§ 17.03[2], 17.04[2].

209. Bernard Chao, *Reconciling Foreign and Domestic Infringement*, 80 UMKC L. REV. 607, 610 (2012).

210. These defenses are based on 35 U.S.C. § 101, § 112, and §§ 102–103, respectively.

211. *See, e.g., buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014) (affirming grant of motion for judgment on pleadings because patent was invalid for lack of patentable subject matter).

construction, the disclosure defenses—inadequate written description of the invention, failure to enable a skilled person to make and use the invention, and indefinite patent claims—focus on the patent document and perhaps background information on the knowledge and understanding of a skilled person in the field. This latter information does not normally depend on the parties’ subjective knowledge or materials within their possession and instead is developed through expert testimony or treatises, textbooks, and articles, among other resources, identified by the lawyers during litigation.²¹²

Like infringement, the prior art defenses do not depend on the inventor knowing about the prior art references, deriving its invention from them, or intending to copy the prior art.²¹³ Rather, the patent claims are compared to the prior art to determine whether all elements of the claim are found in a single reference (“anticipation”) or are found in multiple references and a skilled person in the field would have reason to combine those references (“obviousness”).²¹⁴ This normally requires just the prior art itself (prior patents, articles, or products) and one or more depositions of engineers, scientists, or other technical employees familiar with the field, as well as perhaps background technical information from expert testimony, treatises, texts, and the like identified by lawyers.²¹⁵ While prior art is often identified through expert witnesses or third-party prior art search firms, the parties’ document requests inevitably will ask for any potentially invalidating patents, articles, or products in the other party’s possession. However, the scope of these requests is fairly limited, as the prior art must pre-date the filing of the patent and either have the same features or be in the same or an allied field as the patented invention.²¹⁶

Invalidity can be more fact intensive in some circumstances. Sometimes the alleged prior art is not a previous patent or published scientific article but rather the claimed invention was previously in public use, on sale, or otherwise known to the public.²¹⁷ Proving that

212. See Filarski & Shafer, *supra* note 195, at 1252–61, 1268–80.

213. Beamer, *supra* note 184, at 10.

214. HORWITZ & HERSHMAN, *supra* note 182, § 2.04[1]–[5]; Filarski & Shafer, *supra* note 195, at 1268–80.

215. HORWITZ & HERSHMAN, *supra* note 182, §§ 2.03[2][e], 2.04[4].

216. See 35 U.S.C. § 102(a) (2012) (limiting prior to what existed “before the effective filing date of the claimed invention”). For obviousness, “prior art includes both references in the art in question and references in such allied fields as a person with ordinary skill in the art would be expected to examine for a solution to the problem.” 2 CHISUM, *supra* note 188, § 5.03[1]. This limitation does not apply for anticipation but anticipation requires that the prior art have the exact same features. *Id.* § 5.03[1][a][vi].

217. 35 U.S.C. § 102(a)–(b).

the invention was used publicly, on sale, or known may require oral testimony from knowledgeable fact witnesses, review of advertisements and other marketing materials, detailed consideration of sales negotiations, among other options.²¹⁸ However, most prior art defenses are based on printed publications, not prior use or sale of actual products.²¹⁹ Also, a prima facie case of obviousness can be rebutted by so-called “secondary considerations,” such as commercial success, long felt but unresolved need, and skepticism by others in the field that the invention would work.²²⁰ Factual evidence, not just expert testimony, often will be used to establish the secondary considerations.²²¹ But secondary considerations of nonobviousness play a fairly minor role in patent litigation.²²²

4. Technical Issues and Patent Discovery Problems

In general, issues that are discovery intensive tend to involve open-ended inquiries;²²³ implicate a large number of people, or “custodians”;²²⁴ require evidence in the form of emails or other electronic communications; depend on intent, motive, or another subjective state of mind; and have the potential for “smoking gun” evidence that warrants a comprehensive investigation.²²⁵ These characteristics are the *exact opposite* of the characteristics of an ordinary infringement or invalidity analysis. Infringement and invalidity are both objective inquiries of limited scope: is each limitation of the patent claim found in the accused product (for

218. HORWITZ & HERSHMAN, *supra* note 182, § 2.03[3]–[4].

219. *Frequently Asked Questions About Prior Art Searches*, PRIORARTSEARCH.COM, <http://www.priorartsearch.com/faq.htm> (last updated June 30, 2015).

220. MOORE ET AL., *supra* note 36, at 548–49.

221. HORWITZ & HERSHMAN, *supra* note 182, § 2.04[6][a].

222. Gregory N. Mandel, *Patently Non-Obvious: Empirical Demonstration that the Hindsight Bias Renders Patent Decisions Irrational*, 67 OHIO ST. L.J. 1391, 1422 (2006) (“This study reveals that secondary consideration evidence is rarely relevant to the non-obvious analysis in reported decisions.”).

223. *Harlow v. Fitzgerald*, 457 U.S. 800, 817 (1982) (noting that judicial inquiry into subjective intent and subjective motivation often “entail broad-ranging discovery and the deposing of numerous persons”); Frank H. Easterbrook, *Discovery As Abuse*, 69 B.U. L. REV. 635, 640–41 (1989) (describing open-ended, multi-factor legal inquiries as creating greatest discovery burden).

224. Rader, *supra* note 8, at 336–38 (pointing to e-mails and large number of custodians as raising discovery costs).

225. *Harlow*, 457 U.S. at 817 (discussing judicial inquiry into subjective intent resulting in broad-ranging discovery); Paul D. Carrington, *Renovating Discovery*, 49 ALA. L. REV. 51, 53–54 (1997) (suggesting that products liability should “make the manufacturer’s subjective state of mind irrelevant” to “reduce the cost of discovery” because there would be “no point in searching through storehouses of documents looking for the proverbial smoking gun”).

infringement), prior art (for anticipation and obviousness), or patent specification (for disclosure defenses)? They require only the construed patent claims and a complete description of the accused product (infringement), prior art (anticipation and obviousness), or invention (disclosure defenses), at least in routine cases. Subjective knowledge, intent, and motive are irrelevant to both infringement and invalidity. As a result, there is no potential for smoking guns that would warrant expansive or comprehensive discovery. Nor does either doctrine normally depend on historical conception, design, development, or manufacturing of the accused product or prior art, nor any other question of who did what or when.²²⁶

Beyond just the limited breadth, technical documents are comparatively readily available and easy to produce. Technical documents relating to the accused product or the prior art are rarely in the form of email or electronic communications, which are the most costly to search for and produce.²²⁷ To the contrary, they are often standardized documents (schematics, blueprints, users' manuals, product and scientific research, etc.) kept together and organized by product in a standard way. Thus, only a limited number of people at a company ("custodians," in discovery terms) are necessary to find technical documentation showing the features and operation of the accused product or scientific and product research that may contain prior art. The technical information will often be the same as what must be submitted or kept to comply with regulatory requirements imposed by the FDA, Federal Communications Commission ("FCC"), Environmental Protection Agency ("EPA"), or other regulatory bodies.²²⁸ Thus, the technical information necessary to prove infringement is normally easily collected and produced at little cost or burden.

Notably, under the patent local rules adopted by one-third of federal district courts, defendants must produce "[s]ource code, specifications, schematics, flow charts, artwork, formulas, or other documentation

226. See Cederoth, *supra* note 201, at 104 ("[P]atent infringement litigation is also unique in that it is not necessary to prove intent to bring a claim. . . . Therefore, these cases are often based not so much on who did what and when.").

227. See *House Hearing*, *supra* note 39, at 32 (statement of Kevin T. Kramer, Vice President and Deputy General Counsel Intellectual Property, Yahoo! Inc.) ("[E]-mails and their attachments do not typically describe how our products perform or why.").

228. See, e.g., *Ferring B.V. v. Watson Labs., Inc.*, 764 F.3d 1401, 1408–09 (Fed. Cir. 2014) (FDA submissions); 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, 34 (2002) (regulatory filings, particularly with the FDA or EPA).

sufficient to show the operation of any aspects or elements of an Accused Instrumentality” and “[a] copy or sample of the prior art” they rely upon at the very beginning of the case, normally within two months of the initial case management conference.²²⁹ These local rules were drafted with input from a cross-section of the patent community, representing both patentee and defense interests, and have been widely praised.²³⁰ The quick production of technical documents and prior art required by these widely accepted patent local rules casts further doubt on the role of technical complexity in creating costly and expansive discovery problems in patent litigation.

Of course, in some cases, technical complexity or technical issues may generate high discovery costs. This will most commonly occur when the nature of the defendant’s invalidity defense requires extensive information about development and commercialization of either the accused product or the patentee’s own product, such as a claim that the patent is invalid based on prior use or sale of the invention. The preceding discussion does not deny that technical complexity or technical issues can contribute to high discovery costs or that in some cases they may be the prime contributor to high discovery costs. Rather, the analysis suggests that inherent technical complexity is not the primary cause of costly and expansive patent discovery, as is often suggested. Cases where high discovery costs are driven by technical issues are likely to be exceptions, rather than the norm.

229. *Compare Infringement Production (D)*, LOCAL PATENT RULES: PATENT RULES MADE EASY, <http://www.localpatentrules.com/compare-rules/infringement-production-d/> (last visited Sept. 13, 2015), with *Invalidity Production (D)*, LOCAL PATENT RULES: PATENT RULES MADE EASY, <http://www.localpatentrules.com/compare-rules/invalidity-production-d/> (last visited Sept. 13, 2015) (showing that most patent local rules require defendant to produce “documentation sufficient to show the operation of any aspects or elements of an Accused Instrumentality” and a copy of prior art with invalidity contentions); *compare Summary Charts: Infringement Contentions*, LOCAL PATENT RULES: PATENT RULES MADE EASY, <http://www.localpatentrules.com/wp-content/uploads/2014/03/Chart%20Infringement%20Contentions.pdf> (last visited Sept. 13, 2015), with *Summary Charts: Invalidity Contentions*, LOCAL PATENT RULES: PATENT RULES MADE EASY, <http://www.localpatentrules.com/wp-content/uploads/2014/03/Chart%20Invalidity%20Contentions.pdf> (last visited Sept. 13, 2015) (showing that most patent local rules require infringement contentions to be served within fourteen to sixty days of case management conference and invalidity contentions to be served within thirty to sixty days of infringement contentions).

230. See, e.g., Matthew F. Kennelly & Edward D. Manzo, *Northern District of Illinois Adopts Local Patent Rules*, 9 J. MARSHALL REV. INTELL. PROP. L. 202, 203–05 (2009) (describing support for patent local rules among local bar and clients and drafting by those who typically represent defendants, those who typically represent plaintiffs, and those who represent both); 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, 1007–14 (2009) (describing how patent local rules have been “broadly applauded” and widely adopted).

C. Remedial Complexity and Discovery Problems

The prior sections have questioned the most common explanations for the high costs and burdens of discovery in patent cases: abusive tactics of patent assertion entities and technical complexity. What, then, drives the costs and burdens of patent discovery? A major contributor, and perhaps the major contributor, has been largely overlooked in patent reform debates and, yet, is readily apparent from careful analysis of the issues in patent litigation: the remedial doctrines of damages (lost profits or reasonable royalty) and willful infringement.

1. Damages

Both lost profits and reasonable royalty damages depend on an effort to reconstruct the world as it would have been if the defendant had not infringed to determine either how many of the defendant's sales the patentee would have made (lost profits) or the terms the parties would have agreed on if they had negotiated a license instead (reasonable royalty).²³¹ Both necessarily require volumes of historical information about the parties, the finances, the products, the sales, and so forth.²³²

The reasonable royalty inquiry is probably the most fact-intensive issue in patent litigation.²³³ It “take[s] into account every economic factor that the parties could have considered at the time of infringement.”²³⁴ Courts almost always use the “*Georgia-Pacific* factors,” which are a nonexclusive list of fifteen factors expressly intended to cover “a broad spectrum of other evidentiary facts probative of a ‘reasonable’ royalty.”²³⁵ They implicate virtually every aspect of a defendant's (and patentee's) business, including technical design; product development and strategy; manufacturing; pricing; sales; distribution networks; customers; finance; marketing and advertising; market, consumer, and competitive research; business and strategic plans; sales and market forecasts; and licensing and legal.²³⁶ The

231. RICHARD F. CAULEY, WINNING THE PATENT DAMAGES CASE: A LITIGATOR'S GUIDE TO ECONOMIC MODELS AND OTHER DAMAGE STRATEGIES 125–26 (2d ed. 2011).

232. Beamer, *supra* note 184, at 11; Barry L. Grossman, *Patent Infringement Damages*, in PATENT LITIGATION STRATEGIES HANDBOOK, *supra* note 191, at 1403, 1404.

233. See John C. Jarosz & Michael J. Chapman, *The Hypothetical Negotiation and Reasonable Royalty Damages: The Tail Wagging the Dog*, 16 STAN. TECH. L. REV. 769, 775 (2013) (“[C]ourts have historically tended to afford litigants a substantial amount of flexibility regarding both the type and quantum of evidence that may be used to support a reasonable royalty damages determination.”)

234. CAULEY, *supra* note 231, at 13.

235. *Ga.-Pac. Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1121 (S.D.N.Y. 1970), *modified*, 446 F.2d 295 (2d Cir. 1971).

236. CAULEY, *supra* note 231, at 65, 72–73, 89, 95, 98, 108–09, 122; Carolyn Blankenship &

Georgia-Pacific factors even justify substantial discovery into sales, marketing, financial, and technical documents related to products *not accused of infringement*, both to determine if other products are sold or used with the accused products and to highlight differences that can be informative of the demand for and value of the patented features.²³⁷ Without exaggeration, the *Georgia-Pacific* factors justify discovery of virtually any aspect of an accused infringer's business.²³⁸

Beyond scope, reasonable royalty discovery also is broad in terms of people, or "custodians." Various people will have responsibility for the wide-ranging aspects of the defendant's business relevant to the reasonable royalty. It is also broad in time, covering both before infringement began and subsequent events that might shed light on the pre-infringement negotiation.²³⁹ Finally, unlike infringement and invalidity, e-mails and other electronic communications can be relevant to the reasonable royalty. For example, e-mails may discuss or reflect the importance and value attributed to the patented feature as compared to other features, either internally or among distributors and customers.²⁴⁰

Lost profits damages also require "substantial discovery."²⁴¹ Specifically, lost profits require the patent holder to show both its profit margin and that "but for the infringer's improper acts, [it] would have made greater sales, charged higher prices or incurred lower expenses."²⁴² Some of the lost profits discovery focuses exclusively on the patentee, including the patentee's manufacturing and marketing capacity. However, lost profits necessitate discovery into the accused infringer's technical design; product development; customers; pricing; sales; marketing; and consumer and market research.²⁴³ In fact, to determine whether there are noninfringing alternatives, extensive discovery may be necessary into the design, technical features, development, marketing, sales, pricing, and customers of the accused infringer's *non-accused products*. All of this discovery implicates a large number of custodians. Costly third-party discovery often also is

Laura Stamm, *Proving Patent Damages*, 15 IP LITIGATOR, No. 3, May/June 2009, at 1, 3–4.

237. CAULEY, *supra* note 231, at 73, 95; Blankenship & Stamm, *supra* note 236, at 3–4.

238. Cf. Daralyn J. Durie & Mark A. Lemley, *A Structured Approach to Calculating Reasonable Royalties*, 14 LEWIS & CLARK L. REV. 627, 632 (2010) ("The multi-factor test makes it difficult for the court to exercise a gate-keeping function, because a wide range of evidence can be offered in support of one factor or another.").

239. CHISUM, *supra* note 188, § 20.07[3][c].

240. CAULEY, *supra* note 231, at 102–03.

241. *Id.* at 134.

242. CHISUM, *supra* note 188, § 20.05.

243. CAULEY, *supra* note 231, at 134–35, 150–51.

necessary to identify alternative noninfringing products in the market and customer perceptions.²⁴⁴

2. Willfulness

Willfulness raises patent discovery costs in three key ways.²⁴⁵ First, it most directly introduces discovery-intensive subjective considerations—like knowledge, intent, and motive—into patent litigation.²⁴⁶ This requires extensive discovery into product research, conception, design, and development to determine whether the accused infringer deliberately copied the patentee’s product, had a motive to harm the patentee, attempted to conceal the patent, or investigated the patent.²⁴⁷ Second, the relevant knowledge for willfulness can come from any of the accused infringer’s employees, not just those with “decision-making capacity.”²⁴⁸ As a result, discovery on willfulness implicates numerous “custodians”—virtually any of the accused infringer’s employees. It also justifies comprehensive discovery to potentially find a buried “smoking gun” demonstrating knowledge of the patent.²⁴⁹ Third, willfulness is the primary justification for costly and burdensome discovery of the accused infringer’s e-mails and other electronic communications.²⁵⁰

3. Remedial Issues and Patent Discovery Problems

The remedial doctrines are historical inquiries that try to recreate the

244. *Id.* at 135.

245. In the past, willfulness introduced difficult and contentious questions about attorney-client privilege, work product, and the waiver thereof. However, Federal Circuit decisions over the past decade have mitigated, though not eliminated, these problems. See CHISUM, *supra* note 188, § 20.03[4][b][v][L][2] (describing how recent decisions have reduced the importance of an advice of counsel defense and the attorney-client privilege issues that accompany it).

246. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1368 (Fed. Cir. 2007) (en banc) (“Because patent infringement is a strict liability offense, the nature of the offense is only relevant in determining whether enhanced damages are warranted.”).

247. See *Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1348 (Fed. Cir. 2011) (describing factors to be considered in determining whether to enhance damages for willful infringement); CHISUM, *supra* note 188, § 20.03[4][b][v][L][7] (same).

248. *Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, 408 F.3d 1374, 1378 (Fed. Cir. 2005).

249. Josephine Benkers, *Examining Proposed Legislation to Reduce the Discovery Burden in Patent Cases*, INSIDE COUNSEL (Apr. 2, 2014), <http://www.insidecounsel.com/2014/04/02/examining-proposed-legislation-to-reduce-the-disco>.

250. Noemi C. Espinosa, *Tactics to Limit E-Discovery Costs in Patent Cases*, LAW360 (June 15, 2010, 10:34 AM), <http://www.law360.com/articles/171971/tactics-to-limit-e-discovery-costs-in-patent-cases>; see also Benkers, *supra* note 249 (“[A] plaintiff in a patent case—maybe a patent troll—might ask for many thousands of emails, in search of some smoking-gun email mentioning the patent-in-suit, which may be relevant to a question of willful infringement.”).

world, the market, and the parties as they existed before infringement began.²⁵¹ Unlike infringement and invalidity, they are intimately focused on who did what and when.²⁵² Unlike infringement and invalidity, the remedial doctrines are broad and open ended, encouraging consideration of any evidence that could shed light on the situation as it existed at the time infringement began.²⁵³ Not only do the broad and open-ended remedial doctrines increase the scope of discoverable information, but they also generate more opportunities for the parties to propound broad discovery requests and to dispute whether information or evidence covered by these broad requests is relevant, necessary, or cost justified. The resulting discovery disputes impose additional costs beyond just the costs of collection and production of documents.

Unlike infringement and invalidity, remedial doctrines are inherently subjective, focused on the parties' knowledge, intent, and motives.²⁵⁴ Unlike infringement and invalidity, a wide array of custodians in a company could have nonduplicative information relevant to the remedial doctrines, this information could be in the form of electronic communications, and comprehensive production is warranted by the potential for smoking guns.²⁵⁵ These characteristics are exactly what are normally associated with expansive and costly discovery.²⁵⁶

No empirical evidence apportions discovery costs among the various issues in patent litigation, but remedial complexity is a theoretically much stronger explanation for the perceived high costs and burdens of

251. CAULEY, *supra* note 231, at 13 (reasonable royalty); *id.* at 125–26 (lost profits); CHISUM, *supra* note 188, § 20.03[4][b][v][F] (willfulness).

252. *Spectralytics*, 649 F.3d at 1348 (explaining that enhanced damages for willfulness consider “whether the infringer deliberately copied the ideas or design of another,” “investigated the patent and formed a good faith belief that it was invalid or that it was not infringed,” and “attempted to conceal its misconduct”); CAULEY, *supra* note 231, at 13 (noting that reasonable royalty focuses on “what the parties themselves would have agreed to”); *id.* at 130 (stating that lost profits considers actual market conditions and the actual competition between the parties).

253. *Spectralytics*, 649 F.3d at 1348 (applying a totality-of-circumstances approach to willfulness and enhanced damages); CAULEY, *supra* note 231, at 13 (explaining that reasonable royalty provides an “opportunity to bring virtually any economic factor the parties might have considered to the table”); *id.* at 126 (“[T]he actual application of this [lost profits] remedy is highly complex if done correctly.”).

254. *Spectralytics*, 649 F.3d at 1348 (noting that enhanced damages for willfulness considers, *inter alia*, the defendant’s knowledge, good faith belief, motivation, and deliberate copying); CAULEY, *supra* note 231, at 13 (stating that reasonable royalty “should reflect what the parties themselves would have agreed to”).

255. Benkers, *supra* note 249 (“[A] plaintiff in a patent case . . . might ask for many thousands of emails, in search of some smoking-gun email mentioning the patent-in-suit, which may be relevant to a question of willful infringement.”).

256. See *supra* Part III.C.3.

discovery in patent cases than those commonly identified and motivating patent reform efforts, namely, patent assertion entities and inherent technical complexity. Although technical issues can be discovery intensive in *some* cases, discovery-intensive remedial issues arise in virtually *all* cases.

Unlike patent assertion entities and inherent technical complexity—which are, at least arguably, problems unique to patent litigation—remedial complexity does not necessarily distinguish discovery in patent cases from other comparable civil litigation. Of course, the reasonable royalty, lost profits, and willfulness doctrines themselves are patent-specific. But they are just specific iterations of a more general phenomenon of complex and discovery-intensive doctrines also found in other areas of complex civil litigation. For example, commentators suggest “antitrust discovery is inevitably costly and protracted” because under the “fact-intensive” rule-of-reason doctrine, “[t]here are few things about the operation of a business that would not be relevant.”²⁵⁷ Similarly, the specific causation requirement in toxic tort cases can require costly, time-intensive, and complicated discovery.²⁵⁸

IV. REFORMING PATENT AND CIVIL DISCOVERY

Patent discovery may not be representative of the median civil case—the stakes and amount of discovery are significantly greater—but it is representative of the more complex, higher stakes, and more costly end of civil litigation in terms of discovery costs, effects, and causes. This subset of “mega cases” is widely seen as having a pervasive problem of excessive discovery that may warrant discovery reforms.²⁵⁹ Reconceptualizing the discovery problems in patent cases as just one example of a broader problem of discovery in mega cases has important implications for both patent reform and general civil litigation reform. For civil litigation reform, patent litigation offers a new data point to analyze the discovery problems in mega cases and their potential solutions.

For patent reform, it raises questions about the need and wisdom of engaging in patent-only discovery reforms. What normative basis exists

257. Maurice E. Stucke, *Does the Rule of Reason Violate the Rule of Law?*, 42 U.C. DAVIS L. REV. 1375, 1461 n. 376, 1462 (2009) (quoting Conrad M. Shumadine & Michael R. Katchmark, *Antitrust and the Media*, 917 P.L.I./PAT 393, 407 (2007)).

258. Rachel D. Guthrie, *Muddying the Waters: The Downstream Implications of Wal-Mart v. Dukes for Medical Monitoring Class Actions in Missouri*, 7 PITT. J. ENVTL. & PUB. HEALTH L. 305, 313, 339–40 (2013).

259. Comments by Professors Helen Hershkoff et al., *supra* note 78; Subrin & Main, *supra* note 65, at 1850.

for addressing the mega case discovery problem only in patent cases, aside from the superior lobbying influence of patent constituencies like Silicon Valley?²⁶⁰ Patent-only discovery reforms depart from the “transsubstantive” norm that has dominated procedural rules for over a century, i.e., procedural rules apply equally to all cases regardless of substance.²⁶¹ While many have questioned the continued wisdom of transsubstantive procedural rules, significant departures have only occurred in three areas—prisoners, securities, and medical malpractice.²⁶² If patent discovery is comparable to discovery in other complex, high stakes civil cases, it is not clear why patent litigation should be added to this list.²⁶³ Relatedly, viewing the patent discovery problem as a subset of the larger mega case discovery problem suggests the usefulness of looking to the general civil litigation reform debate for both evaluation of proposed reforms and potential alternative reforms.

This Part turns to the question of reforming discovery in mega cases like patent litigation, applying the lessons learned from the case study of patent litigation in Parts II and III. Section A questions whether procedural reform is even the proper means for reform, given the role of broad substantive rights and doctrines in creating costly and burdensome discovery. Section B turns to the specific reforms proposed in both patent litigation and civil litigation generally, finding them poorly tailored to address the problem exactly because they assume the problem is one just of procedure, not substantive law. Section C offers a more promising alternative that preserves substantive

260. See Fung, *supra* note 89 (describing patent reform supporters as “leading tech companies that are often the target of patent trolls”).

261. David Marcus, *The Past, Present, and Future of Trans-Substantivity in Federal Civil Procedure*, 59 DEPAUL L. REV. 371, 376, 389, 392 (2010).

262. *Id.* at 372–73, 404–09.

263. See Paul D. Carrington, *Making Rules to Dispose of Manifestly Unfounded Assertions: An Exorcism of the Bogy of Non-Trans-Substantive Rules of Civil Procedure*, 137 U. PA. L. REV. 2067, 2086 (1989) (suggesting “there are reasons for Congress to proceed cautiously” in departing from trans-substantive procedural rules). That Congress is the primary institution considering patent-specific discovery rules may mitigate concerns about the departure from the trans-substantive norm, because Congress has the power to engage in substantive patent reform. Marcus, *supra* note 261, at 416. On the other hand, procedural reform may be used as a “backdoor vehicle” to achieve substantive reforms that would not survive the greater attention, more direct consideration, and more organized opposition that would accompany actual substantive law reform, such as an amendment to the PATENT Act that limits enforcement of patents to patentees that practice their invention. See Richard A. Nagareda, *Aggregation and Its Discontents: Class Settlement Pressure, Class-wide Arbitration, and CAFA*, 106 COLUM. L. REV. 1872, 1877–78 (2006) (describing how procedural mechanisms are often used as a vehicle to reform substantive law without actual substantive reform legislation); see also Subrin & Main, *supra* note 65, at 1869 (describing procedural reform as “Plan B” when substantive reforms failed).

rights and doctrines while reducing discovery costs and burdens: staging litigation to resolve potentially case-dispositive issues before any discovery or other litigation occurs on more discovery-intensive issues.

A. *A “Problem” of Substantive Law, Not Procedure?*

A key driver of the costs and burdens of patent discovery is not the parties, the procedures, or the facts (i.e., technical complexity), but rather the law and, in particular, the remedial doctrines that make such a wide swath of information relevant. This provides an important reminder of the general contribution of substantive rights and doctrines to high discovery and litigation costs. Some commentators have recognized as much. For example, Professor Arthur Miller noted several decades ago that recognition of new substantive rights and expansion of substantive doctrines in the 1960s and 1970s, not the class action procedure, was to blame “for the increased burdens associated with new patterns of complex litigation.”²⁶⁴ Twenty-five years ago, Judge Frank Easterbrook blamed the costs and burdens of discovery on “[m]ulti-factor standards” that provide “no rule of decision but only an injunction to consider everything that turns out to matter.”²⁶⁵ And specific substantive doctrines have occasionally been blamed for high discovery and litigation costs in specific substantive areas.²⁶⁶

Yet, this point has been drowned out by the loud crowd blaming procedural rules and devices for high discovery and litigation costs.²⁶⁷ For example, civil litigation reformers see the problems as lying solely with procedure, such as “the failure of procedural rules to adequately limit the scope and amount of discovery permitted.”²⁶⁸ Similarly, patent reformers focus on alleged “misuse of various patent-enforcement mechanisms” and “patent-litigation abuses.”²⁶⁹ The role of substantive rights and doctrines is ignored or glossed over in these accounts. Perhaps this is unsurprising—reform proponents know that

264. Arthur R. Miller, *Of Frankenstein Monsters and Shining Knights: Myth, Reality, and the “Class Action Problem,”* 92 HARV. L. REV. 664, 670–76 (1979).

265. Easterbrook, *supra* note 223, at 640–41, 643–44.

266. Stucke, *supra* note 257, at 1461–62 (rule of reason in antitrust).

267. Lee & Willging, *supra* note 35, at 782–83 (“Has the case for wide-ranging reform of the discovery rules been made? The argument is being made insistently, for sure.”).

268. Beisner, *supra* note 67, at 551–52 (blaming, in addition, the lack of fee shifting, adversarial system, malpractice law, and absence of judicial case management); *see also* JUDICIAL CONFERENCE REPORT, *supra* note 12, at app. B-5 (noting that proponents blame discovery problems on the fact “the proportionality factors currently found in Rule 26(b)(2)(C)(iii) often are overlooked by courts and litigants” and relocating them “will help achieve the just, speedy, and inexpensive determination of every action”).

269. H.R. REP. NO. 113-279, at 18–19 (2013).

procedural reform is less visible and less likely to generate opposition than substantive law reform.²⁷⁰ Reform opponents generally favor the broad substantive rights and doctrines and therefore have little incentive to connect high discovery and litigation costs to these rights and doctrines.

The patent litigation case study provides concrete evidence of how broad substantive law can, and does, generate high discovery and litigation costs. What this means for reform is less clear. Perhaps the broad substantive rights and doctrines serve important substantive functions that we are unwilling to disturb. For example, in patent litigation, the *Georgia-Pacific* factors are said to use sound economic principles to provide a precise estimate of what constitutes a “reasonable royalty” under the statute,²⁷¹ while the willful infringement doctrine can be theoretically justified as a deterrent that encourages ex ante licensing.²⁷² High discovery and litigation costs may be the inevitable price necessary for achieving the objectives served by broad substantive rights and doctrines.

On the other hand, perhaps the value of the broad substantive rights and doctrines are not worth their costs.²⁷³ For example, the *Georgia-Pacific* factors have been derided for their openendedness, which creates unpredictability and conflict, offers no practical guidance to a jury, fails to discipline party or expert arguments, hinders judicial oversight, and ultimately leads to imprecision and overcompensation.²⁷⁴ Likewise, the willful infringement doctrine is said to chill socially desirable behavior, encourage overly generous settlements, or, conversely, discourage settlement by increasing divergence in the parties’ positions.²⁷⁵ Commentators propose reforming²⁷⁶ or even

270. Cf. Burbank & Farhang, *supra* note 88, at 1582 (“When the Court is engaged in apparently procedural and legalistic decisionmaking, the public perceives it as more objective, neutral, and legitimate. Indeed, the public is less likely to notice such decisions at all.” (footnote omitted)).

271. CAULEY, *supra* note 231, at 12–13.

272. See *Rite-Hite Corp. v. Kelley Co.*, 819 F.2d 1120, 1126 (Fed. Cir. 1987) (describing the purpose of willfulness, in part, as “an economic deterrent to the tort of infringement”).

273. Easterbrook, *supra* note 223, at 643.

274. Durie & Lemley, *supra* note 238, at 631–32; Jarosz & Chapman, *supra* note 233, at 783; Mark A. Lemley, *Distinguishing Lost Profits from Reasonable Royalties*, 51 WM. & MARY L. REV. 655, 665–67 (2009).

275. See Ted Sichelman, *Purging Patent Law of “Private Law” Remedies*, 92 TEX. L. REV. 517, 568–69 (2014) (arguing that current willfulness doctrine “ill-advisedly eradicate[s] some third-party activity that would otherwise serve a salutary purpose”). See generally Samuel Chase Means, Note, *The Trouble with Treble Damages: Ditching Patent Law’s Willful Infringement Doctrine and Enhanced Damages*, 2013 U. ILL. L. REV. 1999 (summarizing literature).

276. Durie & Lemley, *supra* note 238, at 643–44 (reasonable royalties); Means, *supra* note

abandoning²⁷⁷ both doctrines, given their questionable value. However, commentators largely overlook the discovery and litigation costs that broad patent remedial doctrines impose.²⁷⁸ Appreciating the role of remedial patent doctrines in generating high discovery and litigation costs is crucial to an accurate determination of whether these doctrines are cost justified or should be reformed or abandoned. More generally, linking substantive rights and doctrines to high discovery and litigation costs is vital to determining whether the expansion of legal rights and doctrines in recent decades is warranted or has gone too far. This is a debate for substantive legal reform, not procedural reform.

B. The Shortcomings of Current Reform Proposals

Turning to the present round of civil litigation and patent reforms, the specific reforms proposed may not be optimal for combatting discovery problems in patent litigation and other mega cases exactly because they treat the problem as one exclusively of procedure and ignore the role of broad modern substantive rights and doctrines.

The amendments to the Federal Rules of Civil Procedure set to go into effect in December 2015 provide that discovery must be “proportional to the needs of the case.”²⁷⁹ However, among the factors considered in determining whether discovery is proportional is “the importance of the discovery in resolving the issues.”²⁸⁰ The broader the substantive rights and doctrines involved in a case, the broader the scope of discovery that will be important to resolving the issues. Put another way, if broad modern substantive rights and doctrines are a significant contributor to high discovery and litigation costs, then a proportionality requirement is a questionable means for reducing discovery and litigation costs because broad discovery *will be proportional* to broad substantive rights and doctrines.

Analysis of the proposed patent-only discovery reforms is more complicated. The most significant patent discovery reform would require the requesting party to pay for production of so-called “non-

275, at 2022–35 (summarizing literature on willful infringement).

277. Sichelman, *supra* note 275, at 567 (proposing damages approach that would focus directly on innovation incentives); Means, *supra* note 275, at 2022–35 (summarizing literature on willful infringement).

278. Commentators sometimes point to the additional complication and costs the willfulness doctrine imposes on trials. See, e.g., Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 FED. CIR. B.J. 227, 235 (2004) (“[B]ifurcating [trials] actually saves money and time—in short, it is more efficient.”). However, the discovery costs generated by the doctrine are likely to be far more significant, since so few cases go to trial.

279. JUDICIAL CONFERENCE REPORT, *supra* note 12, at app. B-30.

280. *Id.*

core” documents, and the assumption seems to be that most of the information required to establish damages under existing doctrines would constitute non-core documents.²⁸¹ Indirectly, or perhaps inadvertently, this provision targets patent discovery reform at the right problem, broad remedial doctrines. But it does so for the wrong reason, apparently under the belief that this remedial discovery is not necessary and is sought solely for harassment purposes. For example, one witness testified at a hearing before the House of Representatives:

In a patent case, very few documents are relevant to the core issues in the case. Such documents are ones that bear on the patentee’s ownership, any prior art known to either party, and technical documents sufficient to show how the accused features work at the level of detail addressed by the claims. Documents beyond this tend to be both irrelevant and expensive to produce.²⁸²

While remedial discovery may be “expensive to produce,” it is certainly not “irrelevant.” To the contrary, it is necessary to prove damages and willful infringement under the governing doctrines adopted by the PATENT Act and the Federal Circuit. Although motivated by patent assertion entities’ purported use of high discovery costs to extort settlements even for nonmeritorious claims, the “core” and “non-core” discovery provisions extends more broadly to require all requesting parties to pay for the non-core documents. As a consequence, even the patentees with the most meritorious claims will have to pay for discovery that is relevant and necessary to crucial elements of their patent infringement claims. This represents a fundamental departure from the American discovery system that has existed since 1938.²⁸³ There is also a risk that the increased costs will screen out meritorious patent claims along with nonmeritorious claims and deny effective access to courts to enforce valid and infringed patent rights.²⁸⁴

The other major discovery reform proposed—staying almost all discovery until after the court issues its claim construction order—was more promising. In effect, it would delay most discovery until nearly a year into the case, including the costly and expansive remedial

281. See *supra* Part II.A.

282. *House Hearing, supra* note 39, at 21.

283. See Redish & McNamara, *supra* note 63, at 774 (“[S]ince the adoption of the Federal Rules in 1938, the allocation of discovery costs has been governed by the presumption that the party from whom the information is sought—the producing party—must bear the expenses associated with the fulfillment of its opponent’s discovery requests.”).

284. Cf. A. Benjamin Spencer, *Pleading and Access to Civil Justice: A Response to Twiqbal Apologists*, 60 UCLA L. REV. 1710, 1732 (2013) (raising similar concerns with heightened pleading requirements for civil litigation generally).

discovery. More importantly, it would require an initial determination on merits issues—the meaning and scope of the patent claims—before permitting the expensive and burdensome discovery on remedial issues. Although claim construction does not directly resolve liability issues, it substantially influences the outcome of infringement and invalidity issues and can be effectively case dispositive.²⁸⁵ Delaying most discovery until after claim construction would save significant discovery costs in those cases where claim construction proves effectively case-dispositive. And, significantly, it would save costly and expansive discovery for cases that had at least some merit, i.e., enough merit to remain viable after the meaning and the scope of the patent claims are determined. In this way, the stay of discovery pending claim construction was an attractive reform that bears significant resemblance to the reforms proposed in the next section. Unfortunately, it was abandoned in both the House and Senate reforms.

On the other hand, the proposed claim construction stay might not have been optimal, both because it was too broad and too narrow. The stay was too broad because it included technical discovery within the stay. However, technical discovery is relatively limited, cheap, and easily produced at early stages in the case.²⁸⁶ The limited costs of allowing pre-claim construction technical discovery are likely outweighed by the potential benefits, including providing context that sharpens and narrows claim construction disputes²⁸⁷ and allowing the case to proceed expeditiously after claim construction. The discovery stay was too narrow because it would only delay expensive and burdensome remedial discovery until after claim construction. Delaying remedial discovery until after liability (infringement and noninvalidity) is established would offer greater cost savings without any significant downside, as explained below.²⁸⁸

C. *A More Promising Alternative: Staging Litigation*

The prior sections lead to an important question: is it possible to reduce the high costs and burdens of discovery, at least in mega cases, while preserving broad modern substantive rights and doctrines and not denying or hindering access to courts for meritorious claims? The case study of patent litigation in Parts II and III suggests that the answer can

285. *See supra* Part I.A.

286. *See supra* Part III.C.

287. *See Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1327 (Fed. Cir. 2006) (noting that “information about the accused products” provides “context for accurate claim construction”).

288. *See infra* Part IV.C.2.

be yes. The liability issues of infringement and invalidity are not particularly discovery-intensive and the remedial doctrines of damages and willful infringement are largely to blame for the high costs and burdens of patent discovery. This apportionment of discovery costs suggests a useful means for preserving substantive rights and doctrines, reducing costs, and targeting cost reductions at the least meritorious claims: delaying discovery (and other litigation activities) on remedial issues until after liability is established. This type of staging²⁸⁹ of litigation could be beneficial beyond patent cases. Other areas of law, particularly those that produce mega cases, may also have potentially dispositive issues that can be separated from discovery-intensive issues and resolved first, thereby eliminating the most intensive discovery in some cases and limiting it to the more meritorious cases.²⁹⁰

The following subsections sketch the argument for staged litigation, describing its potential benefits and the traces of staged litigation that already exist in civil litigation; its application to patent litigation; its potential application in civil litigation more generally; and potential counterarguments and obstacles to implementing staged litigation. The purpose is to identify staged litigation's promise in addressing discovery problems in patent litigation and other mega cases, not to conclusively determine that staged litigation is the only means for addressing discovery problems or even the optimal way of doing so.

1. The Case for Staged Litigation

Staged litigation, as used herein, is conceptually straightforward: certain potentially case-dispositive issues are separated and litigated first, with discovery and resolution (by summary judgment, trial, or

289. I prefer the term “staging” to “bifurcating” because bifurcating suggests two phases when more may be optimal and bifurcating is already associated with phased trials, whereas staged litigation phases the entire case, including discovery.

290. See, e.g., Janet L. McDavid, *Using Alternative Dispute Resolution in Antitrust Cases*, 4 ANTITRUST 25, 27 (1990) (noting that in antitrust cases “[d]iscovery could be limited to particular issues (e.g., market definition and market power, existence of conspiracy, causation)” and those issues are resolved before the remainder of discovery occurs); Don Zupanec, *Bifurcating Discovery—Summary Judgment Motion*, 25 FED. LITIGATOR 1, 12 (2010) (describing staged litigation between liability and damages in bankruptcy core proceedings context); Cassandra Feeney, Note, *Are You “In Good Hands”?: Balancing Protection for Insurers and Insured in First-Party Bad-Faith Claims with a Uniform Standard*, 45 NEW ENG. L. REV. 685, 699–701 (2011) (discussing staying insurance litigation on bad-faith issue until breach of contract issue is resolved); see also, e.g., *Harris v. Option One Mortg. Corp.*, 261 F.R.D. 98, 111 (D.S.C. 2009) (ordering discovery and resolution of class certification issues to occur before discovery and resolution of merits issues); *Caudle v. Towers, Perrin, Forster & Crosby, Inc.*, 580 F. Supp. 2d 273, 275 (S.D.N.Y. 2008) (staging litigation to limit discovery to whether plaintiff suffered compensable injury until that issue was resolved).

other means) on those issues occurring before any discovery, resolution, or other litigation activities occur on other issues. Preferably, the most discovery-intensive issues would be saved for the latter stages of litigation, so that the most costly and burdensome discovery only occurs once the plaintiff's claim has been found meritorious on the initial issues.

Staged litigation has significant potential benefits. Staging litigation can reduce the total (cumulative) costs of discovery by eliminating the most expensive and burdensome discovery in cases that are resolved in favor of the defendant during the first, potentially case-dispositive, stage. Staged litigation also would improve the distribution of discovery costs by apportioning the most expensive and most burdensome discovery to the more meritorious cases, i.e., those where the plaintiff has prevailed in the early stage issues. By reducing and better apportioning discovery costs, staged litigation reduces defendants' incentives to settle even meritorious claims and, consequently, reduces plaintiffs' incentives to bring weak claims in the hope of obtaining cost-of-defense settlements.²⁹¹ Instead, defendants can make a smaller investment in the first stage of discovery in order to get a merits resolution on at least one potentially case-dispositive issue.

291. In the leading article on bifurcated trials, Professor William Landes agrees that bifurcation reduces per-case litigation costs but argues that this will not necessarily reduce the aggregate costs of litigation because the lower per-case litigation costs will encourage more plaintiffs to sue and will discourage settlements. William M. Landes, *Sequential Versus Unitary Trials: An Economic Analysis*, 22 J. LEGAL STUD. 99, 100–01 (1993). Even assuming this analysis would hold true for staged litigation, staged litigation may still be optimal. To the extent the encouraged plaintiffs have meritorious claims, the increased viability of suit from decreased per-case costs is socially desirable, since procedure seeks to faithfully implement substantive law in the most efficient way, not simply reduce costs. See Nagareda, *supra* note 263, at 1874–78 (judging procedural mechanisms based on whether they would further or interfere with the underlying remedial scheme). Similarly, a major concern in patent litigation and other mega cases is that litigation costs are encouraging too many settlements, especially settlements of nonmeritorious claims. Moreover, Professor Landes makes two assumptions that do not appear to hold in mega cases. First, Professor Landes “eliminates the possibility of suits that have a negative expected value to the plaintiff but are brought to extract a settlement.” Landes, *supra*, at 102 n.8. Second, he assumes that the parties and different phases all have equal costs. Drury Stevenson, *Reverse Bifurcation*, 75 U. CIN. L. REV. 213, 233 (2006). While the second assumption may be logical for trial—where each side must put on fairly equal cases—it does not hold for discovery in both patent litigation (since the rise of patent assertion entities) and other mega cases (where the prototypical case is individual plaintiffs with limited information suing a corporate defendant with infinite information). In these cases, discovery costs will often be imbalanced in favor of the plaintiff. Indeed, this is exactly the reason that cost-of-defense settlement cases can be brought in these areas. Thus, the benefit of the reduction in per-case costs in patent litigation and other mega cases will often benefit the defendant more than the plaintiff. Presumably, this will reduce the plaintiff's incentives to file suit, especially for nonmeritorious cases where the primary goal is a settlement based on the defendant's high litigation costs.

This makes it more likely that settlements will reflect the merits of the claim, not the costs of litigation.

Importantly, however, staged litigation reduces costs and improves the distribution of costs while still preserving other values deemed important to American litigation, like access to courts, information, and jury trials.²⁹² The plaintiff is still entitled to discover all the information necessary to prove the merits of its claim and to have its claim adjudicated by a jury of its peers (if appropriate). However, the discovery and jury trials occur in phases as the plaintiff establishes the merits of its claims on some issues, rather than all at once as in unitary litigation.

Although this description of staged litigation bears resemblance to the “more sequential process for developing evidence” that characterizes many civil law or continental legal systems,²⁹³ staged litigation lurks on the fringes of American litigation. It occurs occasionally in American courts but only in a sporadic, case-by-case, and unprincipled way.²⁹⁴ Although practitioners, scholars, and policy makers have discussed at length splitting *trials* into different phases,²⁹⁵ they have largely overlooked the possibility of staging litigation in its entirety, such that discovery, resolution, and other litigation activities occur completely for some issues before any activities occur for other issues.²⁹⁶

292. Cf. Arthur R. Miller, *Simplified Pleading, Meaningful Days in Court, and Trials on the Merits: Reflections on the Deformation of Federal Procedure*, 88 N.Y.U. L. REV. 286, 360 (2013) (“Only the dissenting Justices [in *Twombly* and *Iqbal*] paid attention to the possibility that there were procedural pathways other than heightened pleading that might ameliorate these concerns [of high costs, frivolous litigation, and extorted settlements] and that institutional and societal values also were at stake.”). Professor Warren Schwartz recognized this potential nearly fifty years ago, arguing that more efficient litigation was necessary and that staged litigation was superior to limiting discovery or substituting summary disposition for trial. Warren F. Schwartz, *Severance—A Means of Minimizing the Role of Burden and Expense in Determining the Outcome of Litigation*, 20 VAND. L. REV. 1197, 1197–98 (1967). In the intervening years, Professor Schwartz’s superior solution has all but disappeared from discourse, while his inferior solutions have come to pass.

293. Kaplow, *supra* note 23, at 1186, 1222.

294. *Kos Pharms., Inc. v. Barr Labs., Inc.*, 218 F.R.D. 387, 391 (S.D.N.Y. 2003).

295. See *infra* Part IV.C.2.

296. Kaplow, *supra* note 23, at 1186 (“Nor has there been much attention to the optimal structure of multistage adjudication: when to have distinct stages, how many, what issues and evidence to consider at each, and in what order.”). Aside from Louis Kaplow’s recent article discussed in the text, the most extensive academic treatment of the issue appears to be an article from the 1960s. See Schwartz, *supra* note 292, at 1197–98 (analyzing and endorsing “severance” of issues with discovery and trial on some issues occurring before others). More recently, the issue has received occasional passing reference in debates over modern litigation reform. See Richard A. Epstein, *Of Pleading and Discovery: Reflections on Twombly and Iqbal with Special Reference to Antitrust*, 2011 U. ILL. L. REV. 187, 206 (offering a brief discussion of “stagger[ing]

The important exception is Professor Louis Kaplow's recent pathbreaking article *Multistage Adjudication*, which takes a comprehensive and detailed look at multistage decision making—whether to terminate investigation or to continue to a next stage involving additional expenditures that generate further information—with a particular focus on American civil litigation.²⁹⁷ Although Kaplow's primary interest is in how decision makers should make the preliminary or early stage decision, he also considers how to structure multistage adjudication, including when to have distinct stages, what issues and evidence to consider at each stage, and in what order.²⁹⁸

Although Kaplow is careful to emphasize that these questions are context specific and dependent on difficult empirical questions, his analysis is broadly supportive of the concept of staged litigation proposed here. Specifically, he suggests that determining whether staging litigation is optimal requires primarily a balance of the likelihood that the information at the first stage will justify termination (“diagnosticity”), the size of the cost savings from not having to incur the later stages (“cost”), and the extent of duplication of efforts if later stages do occur (“synergy costs”).²⁹⁹ Further, he suggests that a “step with a higher diagnosticity/cost ratio” should occur before other steps in the litigation.³⁰⁰ The concept of staged litigation advanced here—litigating potentially case-dispositive and more discovery-intensive issues first—largely tracks these guideposts offered by Kaplow.

2. Staged Litigation v. Trial Bifurcation

Unlike staged litigation, trial bifurcation, has been the subject of voluminous analysis.³⁰¹ The key difference between staged litigation and bifurcated trials is the amount of litigation activities that are phased. Bifurcated trials separate issues for separate trials—often a trial on liability followed by a trial on damages—with the latter trial(s) unnecessary if the defendant prevails in the earlier phase(s). Trial bifurcation normally occurs *without* any additional phasing of discovery or other litigation activities.³⁰² Thus, litigation is unitary until the point

the discovery load so that the initial round of discovery covers those targeted points of controversy that are most salient to the litigation in question”); Miller, *supra* note 113, at 116 (making passing reference to “phasing or logically sequencing discovery, so that possible silver-bullet issues can be identified to promote the acceleration of a resolution on the merits”).

297. Kaplow, *supra* note 23, at 1180.

298. *Id.* at 1186–87.

299. *Id.* at 1223–24.

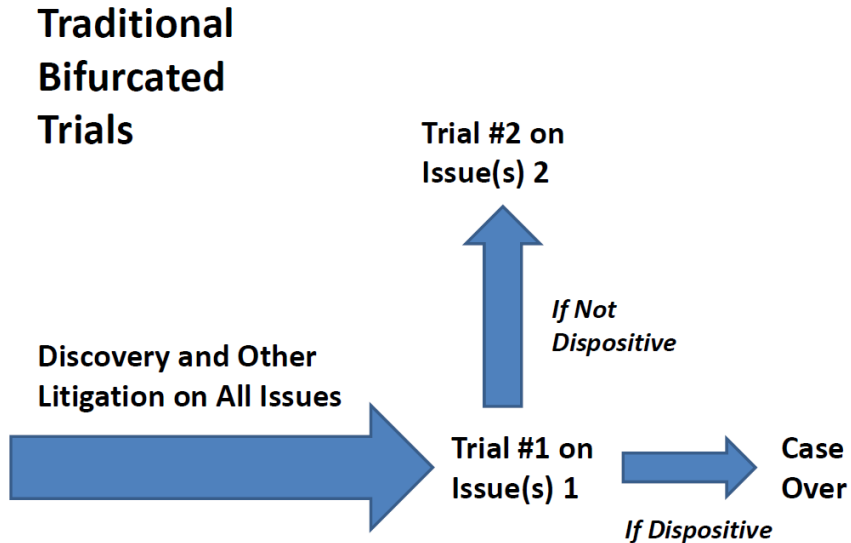
300. *Id.* at 1225.

301. Stevenson, *supra* note 291, at 228–35 (summarizing literature).

302. Moore, *supra* note 278, at 236; John P. Rowley III & Richard G. Moore, *Bifurcation of*

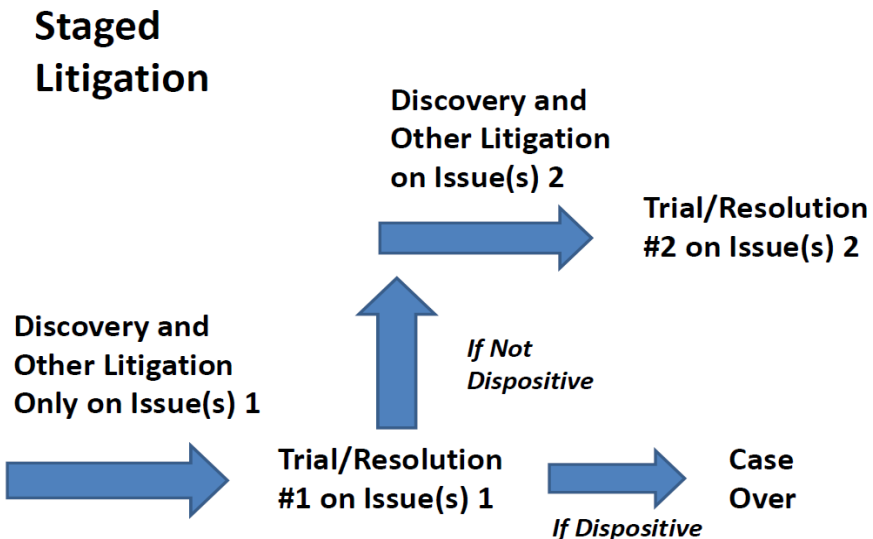
of trial, at which point it becomes phased. Figure 1 depicts traditional bifurcated trials:

FIGURE 1: Bifurcated Trials



By contrast, in addition to separate trials for separate issues, staged litigation phases discovery and other litigation activities into different stages for different issues. Figure 2 depicts staged litigation:

FIGURE 2: Staged Litigation



To the extent that phasing of discovery and other activities already occurs in civil litigation, it is most commonly just to encourage settlement or determine the relevance of additional discovery, not to also promote phased resolution.³⁰³ Truly staged litigation—with discovery, resolution, and all other activities phased by issue—remains rare, despite the significant attention paid to bifurcated trials.

The narrow focus on bifurcated trials, rather than fully staged litigation, is somewhat surprising. Trial only occurs in a small percentage of civil litigation,³⁰⁴ so any benefits from bifurcated trials are trivial compared to the potential benefits of completely staged litigation.³⁰⁵ Or perhaps it is not surprising. Staged litigation is contrary to the American vision of “the trial as a discrete and dramatic event rather than a series of interviews conducted over an extended period.”³⁰⁶ As a result, courts presume unitary litigation and trial and impose a heavy burden to depart from this norm.³⁰⁷ Moreover, staged litigation is not ideal from either plaintiffs’ or defendants’ perspective, even if it may be socially optimal. Plaintiffs benefit from the in terrorem effect of unitary discovery and trials,³⁰⁸ and plaintiffs’ interests

303. See, e.g., Edward F. Sherman, *A Process Model and Agenda for Civil Justice Reforms in the States*, 46 STAN. L. REV. 1553, 1566–67 (1994) (describing phased discovery where the most important discovery occurs first but without also discussing phased resolution).

304. Jonathan D. Glater, *Study Finds Settling is Better Than Going to Trial*, N.Y. TIMES (Aug. 7, 2008), http://www.nytimes.com/2008/08/08/business/08law.html?_r=0.

305. See Kaplow, *supra* note 23, at 1227 (“First, attention is often devoted to the conduct of trial whereas much of the savings may be at the pretrial phase, notably, the conduct of discovery in the context of U.S. civil litigation.”).

306. Carrington, *supra* note 263, at 2070.

307. See, e.g., *F & G Scrolling Mouse, L.L.C. v. IBM Corp.*, 190 F.R.D. 385, 387 (M.D.N.C. 1999) (“[T]he bifurcation of issues and the separate trial of them is not the usual course of events. Nothing else appearing, a single trial will be more expedient and efficient. The party requesting separate trials bears the burden” (citing *Industrias Metalicas Marva, Inc. v. Lausell*, 172 F.R.D. 1, 2 (D.P.R. 1997); *Johns Hopkins Univ. v. CellPro*, 160 F.R.D. 30, 35 (D. Del. 1995); *Smith v. Alyeska Pipeline Serv. Co.*, 538 F. Supp. 977 (D. Del. 1982); *Brad Ragan, Inc. v. Shrader’s Inc.*, 89 F.R.D. 548, 550 (S.D. Ohio 1981))).

308. Because defendants tend to have more discoverable information than plaintiffs, the costs of unitary discovery tend to give plaintiffs more leverage in settlement. See JUDICIAL CONFERENCE REPORT, *supra* note 12, at apps. B-40 to -41 (“Some cases involve what often is called ‘information asymmetry.’ One party—often an individual plaintiff—may have very little discoverable information. The other party may have vast amounts of information In practice these circumstances often mean that the burden of responding to discovery lies heavier on the party who has more information, and properly so.”). Similarly, juries are generally perceived as pro-plaintiff (perhaps incorrectly). See Jennifer K. Robbennolt, *Evaluating Juries by Comparison to Judges: A Benchmark for Judging?*, 32 FLA. ST. U. L. REV. 469, 469–70 (2005) (stating that “[t]he popular view is that juries are pro-plaintiff decisionmaking bodies” but noting empirical research questioning the popular view). Moreover, a unitary trial ensures that the injured plaintiff will be able to tell the jury of its injuries, which may sway jury outcomes.

see any deviation from the litigation system created in 1938 as favoring defendants.³⁰⁹ Defendants' interests, by contrast, are more concerned with mitigating the broad substantive rights and doctrines of the modern American legal system than with designing a litigation procedure that faithfully enforces substantive law in the most efficient way.³¹⁰

3. Staging Patent Litigation

Staged litigation seems particularly promising in patent cases. The most logical staging of patent litigation would involve an initial phase for liability issues (infringement and invalidity) and a second phase for damages and willfulness.³¹¹ The core liability issues of infringement and invalidity are the issues with the greatest likelihood to terminate the case without the need for further proceedings because a finding of noninfringement or invalidity conclusively resolves the case. At the same time, as Part III showed, they are also the issues with lower discovery costs, at least as compared to remedial patent issues. In Kaplow's terminology, patent liability issues of infringement and invalidity have a very high diagnosticity/cost ratio. Moreover, infringement and invalidity are generally distinct from remedial issues and subject to different proof using different witnesses (fact and expert) and documents.³¹² As a result, the synergy costs of staging patent litigation would be fairly low. Thus, patent litigation seems like a natural candidate for staged litigation, with infringement and invalidity conclusively resolved before any discovery or other litigation occurs on remedial issues.³¹³

It is not unusual in patent litigation to *bifurcate trials* between

Stevenson, *supra* note 291, at 228–31.

309. See Miller, *supra* note 292, at 366 (“It should be obvious that [recent] procedural stop signs primarily further the interests of defendants, particularly those who are repeat players in the civil justice arena—large businesses and governmental entities.”).

310. See Paul D. Carrington, *Politics and Civil Procedure Rulemaking: Reflections on Experience*, 60 DUKE L.J. 597, 610 (2010) (suggesting that defendants' efforts at discovery reform are primarily about avoiding substantive rules and regulations).

311. For substantive reasons, other commentators have suggested staging invalidity and infringement. See Roger Allan Ford, *Patent Invalidity Versus Noninfringement*, 99 CORNELL L. REV. 71, 119–22 (2013) (arguing litigating invalidity before infringement will eliminate more “bad” patents). This section focuses on staging liability and remedial issues because it offers the greatest potential for reducing discovery costs, the focus of current patent reform efforts.

312. See *Scrolling Mouse*, 190 F.R.D. at 387–88 (“[L]iability and damages are [not] so inextricably interwoven that separation will render both trials unfair because of confusion and uncertainty.” (citing *Swofford v. B & W, Inc.*, 336 F.2d 406, 415 (5th Cir. 1964))).

313. Early voluntary or mandatory disclosure of limited financial information may be useful to promoting settlement. Provided this is limited to basic finances like units sold and revenues, rather than the full panoply of information relevant to the reasonable royalty, it poses little threat to the efficiencies of staged litigation.

liability and damages/willfulness.³¹⁴ And this is normally the division proposed in the occasional case where fully staged litigation is requested.³¹⁵ But fully staged patent litigation is virtually unheard of.³¹⁶ A staged patent case would start as most cases do under patent local rules. The parties would exchange contentions on infringement and invalidity, as well as technical documents about the conception and reduction to practice of the invention, the structure and operation of the accused product, and the allegedly invalidating prior art.³¹⁷ Claim construction would occur approximately one year after filing.³¹⁸ Because the necessary technical documents would have already been exchanged, liability issues could then be ready for trial in an additional seven to eight months.³¹⁹ Thus, liability issues would be ready for trial approximately 600 days from filing. By comparison, the normal time to trial in busy patent districts is nearly a year longer.³²⁰ If liability is established, a period of fact discovery (e.g., six months), expert discovery (e.g., two months), and motions and pretrial proceedings (e.g., six months) would be required on remedial issues. The total time from filing to complete trial, even with staged litigation, would be approximately 1025 days, not significantly more than the present norm

314. See *Johns Hopkins Univ. v. CellPro*, 160 F.R.D. 30, 33 (D. Del. 1995) (“Historically, courts have found it worthwhile to hold separate trials on liability and damage issues in patent cases.”).

315. See *id.* at 31–32 (describing defendant’s motion for separate trials on liability and damages/willfulness and to stay discovery on damages/willfulness until after liability trial).

316. Moore, *supra* note 278, at 236 (“In short, when bifurcation is granted, it is bifurcation of the trials only, not discovery.”). By contrast, staging patent litigation between liability and damages (“quantification”) is the norm in Canada. See Model Bifurcation Order, Fed. Ct. of Can., http://cas-ncr-nter03.cas-satj.gc.ca/portal/page/portal/fc_cf_en/Notices (model order for bifurcating litigation of liability and damages).

317. See, e.g., N.D. Cal. Pat. R. 3-1 to 4 (providing a process for exchange of infringement and invalidity contentions and technical documents).

318. Under the patent local rules adopted in many districts, claim construction is ready for resolution within six months of the case management conference. See, e.g., N.D. Cal. Pat. R. 3-1 to 4-6 (requiring infringement contentions fourteen days after case management conference, invalidity contentions forty-five days after infringement contentions, joint claim construction chart and hearing statement sixty days after invalidity contentions, opening claim construction brief forty-five days after joint claim construction chart, responsive claim construction brief fourteen days after opening brief, reply claim construction brief seven days after responsive brief, and claim construction hearing two weeks after reply brief).

319. An efficient, but reasonable, schedule is as follows: From the claim construction order, thirty days for opening expert reports; fourteen days for rebuttal expert reports; fourteen days for expert depositions; fourteen days for dispositive motions to be filed; thirty days from filing of dispositive motions to hearing; thirty days from hearing to resolution of dispositive motions; sixty days from resolution of dispositive motions to the pre-trial conference; thirty days from the pre-trial conference to trial.

320. Daniel M. Klerman & Greg Reilly, *Forum Selling* 33 (July 6, 2015) (unpublished manuscript) (on file with the Southern California Law Review).

of 938 days.³²¹

If any of the more discovery-intensive technical issues are raised, the stages may need to be designed differently. For example, if the accused infringer disputed that it made, sold, offered for sale, used, or imported the accused product in the United States during the patent term, the technical issues could still be resolved first to reach a decision as to whether the accused product satisfied the claim limitations.³²² Then the question of whether the requisite act was committed in the United States could be decided either in an intermediate stage or as part of the remedial stage. A similar approach could apply in cases with indirect infringement allegations, with the question of whether the product at issue meets the claim limitations decided in the first phase and the question of requisite knowledge and intent being decided in a later stage.

Secondary considerations of nonobviousness pose the greatest obstacle to staged patent litigation. These can be discovery intensive, but they also are difficult to separate from the technical issues. Doing so could create Seventh Amendment problems because the two are tightly intertwined: the purpose of secondary considerations is to rebut the prima facie case of obviousness.³²³ Additional discovery narrowly tailored to the secondary considerations issue could be allowed in the technical stage. Because such evidence also may be relevant to damages, there could be some limited duplication from such an approach. However, since any documents, interrogatories, and admissions provided on secondary considerations could also be used in the remedial phase without additional effort, the duplication would be limited to, at most, depositions of a few witnesses. It is doubtful this limited potential duplication outweighs the benefits of staged litigation. Alternatively, secondary considerations discovery could be postponed until after dispositive motions occur in the technical phase. The prima facie case of obviousness could be first tested via summary judgment motion before undertaking limited secondary considerations discovery.

Staged patent litigation offers significant benefits in patent cases similar to in other types of litigation, like reducing costs, disincentivizing weak claims, and encouraging resolution on the merits.³²⁴ Moreover, patent trials have been criticized for focusing on

321. *Id.*

322. Alternatively, if the act of infringement issue is significant, it could be addressed in a first stage before reaching the technical issues.

323. *See infra* Part IV.C.4.

324. The lack of resolution on the merits may be more problematic in patent cases than other

ancillary issues, like narratives of the “good” inventor versus the “bad” copier, rather than on core technical issues. By focusing the first stage just on technical issues not amenable to these sort of ancillary issues, staged litigation can promote fidelity to the technical merits of the patent and prior art.

4. Staged Litigation Beyond Patent Litigation

Civil litigation is at a crossroads. Commentators recognize that civil litigation has entered a new era that departs from strict adherence to the values and system embodied in the 1938 enactment of the Federal Rules of Civil Procedure.³²⁵ Procedural reforms “favor[] increasingly early case disposition in the name of efficiency, economy, and avoidance of abusive and meritless lawsuits” and “retreat from the principles of citizen access, private enforcement of public policies, and equality of litigant treatment in favor of corporate interests and concentrated wealth.”³²⁶ However, rather than embrace the new era in civil litigation and debate how to design reforms that still preserve other values like access to courts, many commentators instead bemoan any departure from the Federal Rules’ procedural system.³²⁷

Yet, procedural reform is inevitable. “The Federal Rules of Civil Procedure were promulgated in 1938, and, needless to say, things are much different today than they were then.”³²⁸ The intervening years “have witnessed the most extraordinary growth in federal and state substantive law in this country’s history,” dramatically increasing the total amount of litigation in federal courts.³²⁹ Moreover, litigation today tends to be exponentially more complex in terms of subject matter, legal doctrine, number of parties, number of claims, and cross-border interactions.³³⁰ This complexity implicates a far wider range of information and sources of information. The corporations that tend to

cases. *See generally* Megan M. La Belle, *Against Settlement of (Some) Patent Cases*, 67 VAND. L. REV. 375 (2014) (arguing that settlement of patent cases sometimes is against the public interest because it fails to eradicate invalid patents).

325. Subrin & Main, *supra* note 65, at 1856.

326. Miller, *supra* note 113, at 10.

327. Lonny S. Hoffman, *Burn up the Chaff with Unquenchable Fire: What Two Doctrinal Intersections Can Teach Us About Judicial Power over Pleadings*, 88 B.U. L. REV. 1217, 1234–36 (2008) (describing the majority of academic commentary as “traditionalist,” and objecting to litigation reforms simply because they depart from the principles of the 1938 enactment of the Federal Rules).

328. Brian T. Fitzpatrick, *Twombly and Iqbal Reconsidered*, 87 NOTRE DAME L. REV. 1621, 1630 (2012).

329. Miller, *supra* note 292, at 292.

330. *Id.* at 290–91.

be defendants also are bigger and more complex, making it more costly and difficult to find all information in their possession that might relate to the case.³³¹ Finally, due to the rise of computers, electronic documents, and electronic communications, people today create and retain dramatically greater volumes of information than in 1938.³³² In light of all these changes, “[i]t is not surprising” that reforms would be needed.³³³ Even if one is unwilling to accept that procedural reform is *necessary*, it is hard to dispute that procedural reform is *inevitable* given the political influence of the large corporate interests most burdened by the broad 1938 procedural system.³³⁴

As even Professor Miller, one of the staunchest defenders of the old procedural system, has recognized, the real task is to “reconcile the continuing viability of the values of 1938 with the realities of 2010, and find a way to uphold the principle of access and the other policy objectives underlying the original Rules while adjusting to contemporary litigation conditions.”³³⁵ Commentators have begun to suggest such ways to reform civil litigation, while preserving other values like access to courts, including a “simple case track” for federal district courts,³³⁶ some form of discovery cost shifting,³³⁷ and an enhanced motion for a more definite statement under Federal Rule 12(e).³³⁸

The example of patent litigation suggests that staged litigation may be a promising alternative. As discussed above, it addresses the primary concerns motivating modern procedural reforms like the Federal Rules amendments and the heightened pleading requirements of *Bell Atlantic Corp. v. Twombly*³³⁹ and *Ashcroft v. Iqbal*,³⁴⁰ namely that “the threat of discovery expense will push cost-conscious defendants to settle even anemic cases before reaching those proceedings.”³⁴¹ The dissent in *Twombly* even noted the possibility of something similar to staged

331. Fitzpatrick, *supra* note 328, at 1638.

332. *Id.*

333. *Id.* at 1634.

334. See Miller, *supra* note 292, at 366–67 (“I think it is fair to say that a number of the Justices (as well as other federal judges) have a predilection (perhaps subliminal) that favors business and governmental interests.”).

335. Miller, *supra* note 113, at 104.

336. Stephen B. Burbank & Stephen N. Subrin, *Litigation and Democracy: Restoring a Realistic Prospect of Trial*, 46 HARV. C.R.-C.L. L. REV. 399, 409–12 (2011).

337. Fitzpatrick, *supra* note 328, at 1644–46.

338. Miller, *supra* note 113, at 104.

339. 550 U.S. 544 (2007).

340. 556 U.S. 662 (2009).

341. *Twombly*, 550 U.S. at 559.

litigation: “a plan of ‘phased discovery’ limited to the existence of the alleged conspiracy and class certification.”³⁴² Similarly, a few commentators have suggested a procedure resembling a limited form of staged litigation in response to *Twombly* and *Iqbal*: “[G]ive the plaintiff a chance to conduct limited discovery before deciding a motion to dismiss for failure to state a claim or a motion for a more definite statement.”³⁴³

Staged litigation avoids the problems identified with the Federal Rules amendments, the *Twombly* and *Iqbal* decisions, and other recent efforts to reform civil litigation: burdening meritorious claims, perversely denying plaintiffs discovery of the information they need to establish the merits of their claims, undermining the benefits of trial by jury, and applying indiscriminately even to non-mega cases where there is no cost problem.³⁴⁴ Staged litigation targets cost savings at the least meritorious claims that offer no societal benefits to offset the deadweight loss imposed by litigation costs. Discovery is limited to one or a few issues, preferably less discovery-intensive issues, until the plaintiff demonstrates a meritorious case by prevailing on the initial issue(s). As a result, the most expensive discovery is saved for the most meritorious cases (as demonstrated by resolution of the initial issues), where it is most needed to insure optimal deterrence, compensation, or other substantive objectives. However, before the merits are evaluated, plaintiffs are given full discovery on the issue(s) to be resolved in the first stage, insuring that they have the information necessary to demonstrate their claim is meritorious. Moreover, staged litigation does not require any artificial decision about whether the claim is meritorious enough to proceed, a decision that is likely to be subjective and unpredictable.³⁴⁵ Rather, the merits are screened using the normal means for determining the merits of a claim, including trial by jury if appropriate.

In sum, staged litigation preserves the values many deem important about the 1938 procedural system, including liberal discovery and trial

342. *Id.* at 593 (Stevens, J., dissenting).

343. Robert G. Bone, *Twombly, Pleading Rules, and the Regulation of Court Access*, 94 IOWA L. REV. 873, 933 (2009).

344. See Robert G. Bone, *Plausibility Pleading Revisited and Revised: A Comment on Ashcroft v. Iqbal*, 85 NOTRE DAME L. REV. 849, 879–81 (2010) (criticizing *Iqbal* based on the burden on meritorious cases and the denial of information needed to establish merits); Miller, *supra* note 292, at 306 (criticizing recent procedural reforms for undermining adjudication on the merits and trial by jury); Comments by Professors Helen Hershkoff et al., *supra* note 78 (criticizing discovery reforms based on the burden on meritorious cases and the application to non-mega cases where no discovery problem exists).

345. Spencer, *supra* note 284, at 1733.

by jury. What it alters is when the plaintiff can get liberal discovery and trial by jury. Rather than giving every plaintiff who files a complaint full discovery and a complete resolution by trial, staged litigation rations these expensive procedures, allowing the plaintiff discovery and resolution on a few limited issues first but then requiring some proof of a meritorious claim—by prevailing on the initial issues—before allowing the remainder of discovery and resolution. Finally, staged litigation necessarily must be tailored for different substantive areas and more or less staging can be used as appropriate in light of the cost and complexity of litigation in different substantive areas. In fact, some substantive areas—or cases of certain stakes—might have just a single “stage” indistinguishable from unitary litigation.³⁴⁶

Whether staged litigation ultimately proves to be an optimal reform in areas other than patent litigation will require careful analysis of the issues and evidence in various substantive areas, an analysis that is beyond the scope of this Article. This will depend on whether some issues are case dispositive, whether the potentially case-dispositive issues are also low-discovery issues, and to what extent there is overlap between discovery needed for case-dispositive or low-discovery issues and discovery needed for other issues.³⁴⁷

It is certainly possible that patent litigation will prove to be an outlier in this regard. Perhaps patent litigation is unique in that the most intensive discovery issues (damages and willfulness) can be separated from, and resolved after, less discovery-intensive, but potentially dispositive, issues (infringement and invalidity). That is, perhaps staged litigation is a unique solution only applicable to patent litigation to the common discovery problem faced in patent litigation and other mega cases. Such a unique solution to a common problem might warrant treating patent litigation differently than other civil litigation, i.e., patent exceptionalism. Yet, given the increasing focus on balancing the need to reduce discovery costs with the need to maintain access to courts and the promising potential of staged litigation in this regard, staged litigation’s potential in other areas of law is certainly worth exploring

346. For example, social security cases are 6% of the federal civil docket. See U.S. COURTS, *supra* note 98, at tbl.C-2 (listing 303,820 total civil cases filed in twelve months ending March 31, 2014, 19,636 of which were social security cases). These cases are unlikely to require significant discovery and instead are likely to be resolvable on the administrative record. Similarly, consumer credit cases are 3% of the federal civil docket and also are unlikely to require significant discovery. *Id.* (listing 8,480 consumer credit cases). Staged litigation would offer little benefit in these types of cases.

347. Cf. Kaplow, *supra* note 23, at 1223–28 (examining factors for determining whether multistage adjudication is warranted).

before consigning it only to patent litigation.

5. Implementing Staged Litigation

Staged litigation already lies within judges' discretion and can be imposed even if neither plaintiffs nor defendants are necessarily enthusiastic.³⁴⁸ In theory, judges should use their discretion to impose staged litigation in cases where it is warranted and deny staged litigation when its costs exceed its benefits. Yet, judges almost never implement staged litigation.³⁴⁹ To some extent, this is because judges share the American predilection for trial as a singular, dramatic event.³⁵⁰ But judges also seem to overvalue their personal self-interest, emphasizing the need for multiple hearings and trials in staged litigation, and undervalue the savings that would occur for other aspects of litigation where the judge is not present, such as discovery.³⁵¹ Finally, judges demonstrate a (perhaps unsurprising) narrow focus on the case at hand, rather than taking a more general or systemic perspective. For example, judges refuse to weigh the possibility that the defendant will prevail in the first stage, thereby eliminating the need for further discovery and litigation, because they do not have enough information to evaluate the merits in the specific case.³⁵² In doing so, they overlook that, statistically, defendants will prevail in a significant percentage of cases.³⁵³

Judges' resistance to staged litigation provides an important lesson. If staged litigation is left to individual judges' discretion, their self-

348. Rowley & Moore, *supra* note 302, at 18.

349. *F & G Scrolling Mouse, L.L.C. v. IBM Corp.*, 190 F.R.D. 385, 387 (M.D.N.C. 1999) (“[T]he bifurcation of issues and the separate trial of them is not the usual course of events.”).

350. *See* *Kimberly-Clark Corp. v. James River Corp. of Va.*, 131 F.R.D. 607, 608 (N.D. Ga. 1989) (quoting *Response of Carolina, Inc. v. Leasco Response, Inc.*, 537 F.2d 1307, 1323–24 (5th Cir. 1976)) (“In considering such a course, the court should remain mindful of the traditional rule of the factfinder; i.e., to make an ultimate determination on the basis of a case presented in its entirety. . . . [B]ifurcation works an infringement on such an important aspect of the judicial process”)

351. *See, e.g.*, *Johns Hopkins Univ. v. CellPro*, 160 F.R.D. 30, 35 (D. Del. 1995) (emphasizing efficiency of one trial while giving limited consideration to efficiency in nontrial portions of the litigation).

352. *See, e.g.*, *Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, 431 F. Supp. 2d 834, 840 (N.D. Ill. 2006) (“Although defendants' argument that separate trials would promote judicial economy if defendants prevail, is true, they have not demonstrated that such success is likely.”); *Johns Hopkins*, 160 F.R.D. at 35 (“[T]he court is not in a position to fairly evaluate CellPro's claim that there is a substantial probability it will prevail on liability.”).

353. *See* Kevin M. Clermont & Theodore Eisenberg, *Trial by Jury or Judge: Transcending Empiricism*, 77 CORNELL L. REV. 1124, 1136 (1992) (providing plaintiff trial win rates by category of cases and showing that plaintiffs generally win in only one-half to two-thirds of cases).

interest or narrow focus will undermine the potential systemic benefits. For staged litigation to be most effective, it must be mandated or otherwise imposed at a systemic level. District judge discretion could be maintained but guided in favor of staged litigation by flipping the presumption in favor of staged litigation, with exceptions in only limited, defined situations, such as when the amount in controversy is below a certain threshold, the type of case is particularly routine or simple, or other strong justifications exist for unitary proceedings.

Alternatively, staged litigation could be mandated for certain issues in certain types of cases.³⁵⁴ Neither Congress nor the Judicial Conference can reasonably be expected to have the substantive expertise necessary to do so. Instead, Congress or the Judicial Conference could provide the basic framework and empower committees with substantive expertise in specific subjects and representing diverse interests—plaintiffs, defendants, judges, and academics—to develop presumptive or mandatory staging plans for different types of cases. Similar committees have been used quite successfully to develop local rules for structuring patent cases in a variety of districts, and these rules are widely seen as evenhanded and beneficial.³⁵⁵ The committees' plans would identify the various issues, the order of resolution, and exceptions to applicability of the staging order. This approach would offer a transsubstantive framework to solve problems that span subject matters but would maximize the effectiveness of the framework by tailoring it to the nature and needs of different areas.

While part of the resistance to staged litigation is simply self-interest or irrational commitment to the “dramatic” trial, three legitimate, but ultimately misguided, concerns require further consideration. First, staged litigation is said to increase costs through duplication if the case is not terminated in the first phase.³⁵⁶ This argument understates the likelihood that the case will be terminated at the end of the first phase.

354. *Cf.* S.D. CODIFIED LAWS § 21-1-4.1 (2015) (“In any claim alleging punitive or exemplary damages, before any discovery relating thereto may be commenced and before any such claim may be submitted to the finder of fact, the court shall find, after a hearing and based upon clear and convincing evidence, that there is a reasonable basis to believe that there has been willful, wanton or malicious conduct on the part of the party claimed against.”).

355. *See, e.g.,* Kennelly & Manzo, *supra* note 230 (describing widespread demand for and acceptance of patent local rules).

356. *See, e.g.,* Kos Pharms., Inc. v. Barr Labs., Inc., 218 F.R.D. 387, 393 (S.D.N.Y. 2003) (quoting Remcor Prods. Co. v. Servend Int'l, Inc., No. 93 C 1823, 1994 WL 594723, at *1 (N.D. Ill. Oct. 28, 1994)) (“Rather than furthering convenience and judicial economy, separate trials would result in duplication of effort due to the overlapping evidence required to establish both liability and willfulness.”).

Even if only one-third of cases are resolved in the first phase, the amount of duplication that must occur in the other two-thirds of cases will have to be substantial to offset the savings from eliminating any further activities in the terminated third. Moreover, the early resolution of a key, dispositive issue in the plaintiffs' favor may reduce divergences in the parties' expected outcomes, promoting settlements that otherwise would not occur and generating additional savings. And carefully drawn staging plans can minimize the amount of duplication. Ultimately, staged litigation's effect on costs will depend on the issues involved, how intertwined or severable they are, and whether less discovery-intensive issues are case dispositive and capable of being litigated before other issues. These considerations demonstrate the need for staging plans that vary among substantive areas.

Second, and relatedly, staged litigation is said to increase the length of litigation in contravention of the Federal Rules' goal of speedy resolution.³⁵⁷ This argument assumes that the first stage of litigation will take as long to complete as unitary litigation and therefore any second stage will necessarily prolong the litigation. However, because staged litigation is more focused, the first stage can reach resolution quicker than unitary litigation. As a result, staged litigation will be quicker than unitary litigation in the significant proportion of cases in which the defendant prevails on the first issue. And early resolution of a key, potentially dispositive issue in the plaintiffs' favor should promote settlements after the first stage that would not occur in unitary litigation. Even cases that proceed through all stages may not take much longer than unitary litigation, though the time would be apportioned differently.³⁵⁸ Rather than a long discovery period, a long pretrial period, and a long trial, there would be multiple shorter discovery, pretrial, and trial periods. Thus, while litigation may take longer in some staged cases, there is little reason to think that either cumulative or average per-case litigation time will increase.³⁵⁹

Third, the Seventh Amendment is an oft-cited obstacle to any form of nonunitary litigation. The Seventh Amendment provides that "no fact tried by a jury, shall be otherwise re-examined in any Court of the

357. See, e.g., *Johns Hopkins*, 160 F.R.D. at 35 ("A single trial followed by an appeal is the best procedure for the court to follow in working to achieve our goal under the Civil Justice Reform Act of resolving litigation within eighteen months after the filing of the complaint.").

358. Cf. Steven S. Gensler, *Bifurcation Unbound*, 75 WASH. L. REV. 705, 720 (2000) (describing a 1960s study of bifurcated trials finding that multiple split trials were no longer, and perhaps shorter, than unitary trials).

359. Cf. *id.* at 706–07 (arguing that trial bifurcation will generally shorten litigation).

United States.”³⁶⁰ The Seventh Amendment issue is largely a red herring. “The criteria is not whether the same evidence is presented at both trials, but rather whether the same essential issues will be decided.”³⁶¹ Thus, as long as staged litigation is designed to insure the issues in the separate stages are truly distinct and separable, even if some evidence may be common, the Seventh Amendment does not bar staged litigation.³⁶² Alternatively, the same jury could be recalled at multiple phases of a trial.³⁶³

Given the limited attention truly staged litigation has received in American jurisprudence, these potential obstacles have largely been discussed in the context of bifurcated trials. Other concerns have also been raised in that context that might apply to truly staged litigation, including that nonunitary resolution leads to more defense verdicts, prevents jurors from reaching “compromise” verdicts that impose liability but low damages, and takes issues out of their full context.³⁶⁴ Resolution of these arguments largely depends on one’s view of the appropriate substantive outcome or role of the jury. But, importantly, whatever the validity of these “costs” in evaluating bifurcated trials, the analysis is different for truly staged litigation. Because the potential benefits of staged litigation are so much greater than bifurcated trials—both cumulatively (vastly more cases reach discovery than trial) and individually (staged litigation saves both discovery and trial costs)—any problems with staged litigation must be substantially greater than with bifurcated trials to make the procedure not cost justified.

CONCLUSION

Too often, patent litigation is treated as a unique area of law distinct from general civil litigation. This “patent exceptionalism” has been criticized for causing patent litigation to ignore the lessons and doctrines developed in other areas of law. This Article demonstrates a

360. U.S. CONST. amend. VII.

361. *F & G Scrolling Mouse, L.L.C. v. IBM Corp.*, 190 F.R.D. 385, 388 (M.D.N.C. 1999).

362. Edward F. Sherman, *Segmenting Aggregate Litigation: Initiatives and Impediments for Reshaping the Trial Process*, 25 REV. LITIG. 691, 704 (2006) (“Although there may be some overlapping of evidence in different segments of a bifurcated case, courts have generally found that such issues as liability, damages, causation, and affirmative defenses satisfy the ‘distinct and separable’ test, and there is no violation of the Seventh Amendment.”). The second jury can be instructed to accept the results of the first jury.

363. For jurors, it is probably preferable to have to appear for two or three mini-trials (e.g., two to three days) over a period of months or years than to be absent from their jobs, families, or responsibilities for two or more straight weeks. Multiple alternate jurors can be used to mitigate the risk that one or two jurors will be lost in the time between phases.

364. Stevenson, *supra* note 301, at 228–35 (summarizing literature).

second problem with “patent exceptionalism”: the lessons of patent litigation are ignored in debates over how to structure and improve civil litigation generally.

Both of these problems are evident in discovery reform. Patent reform efforts assume that patent discovery is uniquely problematic—whether due to its supposedly disproportionate costs or the abuses of patent assertion entities—and therefore in need of patent-specific solutions. Civil litigation reform ignores patent litigation, even though it offers a perfect example of the complex, high stakes cases widely acknowledged as having problematic discovery.

Linking patent discovery reform with general civil discovery reform is productive. Looking carefully at the discovery problems in patent litigation, and their causes, suggests a solution with potential benefits well beyond patent cases: staged litigation. To date, staged litigation has remained on the fringes of American procedure because it challenges the trial as a singular, dramatic event. But it is the most promising way to reduce the costs of litigation while maintaining other values deemed important, like access to information and the jury trial. If we are committed to these values, as well as the broad substantive rights and broad substantive doctrines of modern America, then staged litigation may be the only, or best, hope for making litigation more efficient. Viewed this way, the continued commitment to the trial as singular, dramatic event seems irrational, naïve, and antiquated.

Staged litigation is one example of the need to rethink the way litigation is structured to confront the realities of modern litigation. Through joinder and preclusion rules, the American system encourages the bundling of issues into a single case. But the commitment to the trial as a singular, dramatic event then forces these bundled issues into unitary resolution. This has proven problematic as American society, business, and litigation become increasingly complex.