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THE SEDONA CONFERENCE

Commentary on Patent Litigation Best Practices: Discovery

A Project of The Sedona Conference
Working Group on
Patent Litigation Best Practices (WG10)

PUBLIC COMMENT VERSION



The Sedona Conference Commentary on Patent Litigation Best Practices: Discovery Chapter

*A Project of The Sedona Conference Working Group on
Patent Litigation Best Practices (WG10)*

OCTOBER 2014 PUBLIC COMMENT VERSION

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Preface

Welcome to the Public Comment Version of The Sedona Conference Commentary on Patent Litigation Best Practices: Discovery Chapter, a project of The Sedona Conference Working Group on Patent Litigation Best Practices (WG10). This is one of a series of working group commentaries published by The Sedona Conference, a 501(c)(3) research and educational institute that brings together leading jurists, lawyers, experts, academics, and others, at the cutting edge of issues in the areas of antitrust law, complex litigation, and intellectual property rights to engage in true dialogue, not debate, at conferences and mini-think tanks called Working Groups, in an effort to move the law forward in a reasoned and just way.

WG10 was formed in late 2012 under the leadership of its now Chair Emeriti, the Honorable Paul R. Michel and Robert G. Sterne, to whom The Sedona Conference and the entire patent litigation community owe a great debt of gratitude. The mission of WG10 is “to develop best practices and recommendations for patent litigation case management in the post-[America Invents Act] environment.” The Working Group consists of over 200 active members representing all stakeholders in patent litigation. To develop this Discovery Chapter, the core drafting team held numerous conference calls over the past year, and the draft was a focus of dialogue at The Sedona Conference WG10 Midyear Meeting in San Francisco in April 2014.

The Chapter represents the collective efforts of many individual contributors. On behalf of The Sedona Conference, I thank in particular Gary M. Hoffman, who has graciously and tirelessly served as the Editor-in-Chief for this and all Chapters for this Commentary on Patent Litigation Best Practices and as the Chair of WG10. I also thank everyone else involved for their time and attention during the drafting and editing process, including: the Honorable Hildy Bowbeer, Steven Spears, Ahmed J. Davis, Robert O. Lindefeld, George Pappas, Cynthia Rigsby, Daniel J. Shih, Philip Sternhell, and Nancy Tinsley.

The Working Group was also privileged to have the benefit of candid comments by several judges with extensive patent litigation experience, including the Honorable Cathy Ann Bencivengo, the Honorable Joy Flowers Conti, the Honorable Faith S. Hochberg, and the Honorable Barbara M.G. Lynn. The statements in this Commentary are solely those of the non-judicial members of the Working Group; they do not represent any judicial endorsement of the recommended practices.

Working Group Series output is first published in draft form and widely distributed for review, critique, and comment, including in-depth analysis at Sedona-sponsored conferences. Following this period of peer review, the draft publication is reviewed and revised by the Working Group, taking into consideration what is learned during the public comment period. Please send comments to info@sedonaconference.org, or fax them to 602-258-2499. The Sedona Conference hopes and anticipates that the output of its Working Groups will evolve into authoritative statements of law, both as it is and as it should be.

Craig W. Weinlein
Executive Director
The Sedona Conference
October 2014

Foreword

Discovery is the most expensive part of patent litigation next to trial, and trials only occur in a small percentage of all litigations. There have been numerous discussions among the courts, patent litigators, and parties about finding ways to simplify and streamline the discovery process. The objective of this Sedona Conference Working Group 10 Patent Litigation Discovery drafting team has been to develop a series of best practices that will help accomplish this objective.

The drafting team has focused on issues that are unique to patent litigation and those that commonly arise in patent litigation. Among the issues addressed are the topics of infringement and validity contentions, proportionality of discovery, early focus on the claims and products in dispute, and simplifying the process for resolving disputes. The overarching principles that helped in formulating the team's best practice recommendations are set forth below.

Gary M. Hoffman
Editor-in-Chief
Chair, Working Group 10 Steering Committee

Hon. Hildy Bowbeer
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Chapter Editors

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Discovery Principles *“At a Glance”*

- Principle No. 1** – Discovery should be proportionate with the overall nature of the dispute, including factors such as the number of patents or patent families asserted, complexity of the technology involved, the number of accused products involved, the past damages or future value (either monetary or injunctive) of a specific patent litigation, and the importance of the discovery in resolving the issues.2, 30
- Principle No. 2** – The parties should meet and confer before the first scheduling conference to discuss the substantive basis for their allegations, specific identification of the claims being asserted and products alleged to infringe, and known prior art, and to discuss the scope of discovery believed to be needed by each party. The parties should continue to meet and confer about the above throughout the case and to resolve any disputes expeditiously and independent of any court intervention if at all possible.2, 5
- Principle No. 3** – Each party should be required to disclose primary relevant documents and contentions early in the discovery process and have an ongoing duty to disclose any additional such documents once it learns of their existence or relevancy; the court should consider not allowing untimely produced documents or contentions to be admitted at trial.....2, 16
- Principle No. 4** – Where appropriate and necessary, courts should seek to resolve discovery disputes expeditiously and should use some form of gating function to determine which disputes truly require formal motion practice.....2, 38
- Principle No. 5** – Discovery sanctions should not be routine and should not be pursued by a party in a manner that overshadows the substantive issues in the case. Routinely seeking discovery sanctions, or conducting discovery in a manner primarily aimed at “catching” your opponent in a discovery error is not an efficient use of client or judicial resources.3, 40
- Principle No. 6** – If a party’s or attorney’s conduct during discovery warrants fee shifting or sanctions, the court should consider appropriate monetary or evidentiary sanctions against the party or counsel to remedy, deter, or punish such conduct3, 39

Discovery Best Practices

“At a Glance”

Best Practice 1 – Upon reasonable anticipation of patent litigation, parties should issue a litigation hold notice to the individuals most likely to have relevant information and/or control over systems in which relevant information is likely to be stored, and update the notice throughout the litigation (e.g., if additional custodians are identified, or additional patents or accused products are added to the case). 4

Best Practice 2 – Parties should confer with opposing counsel early and reach agreement as to exchange of information about electronically stored information (ESI), including files to be searched, terms to use for searching, each party’s systems, the number and identification of custodians, format (or existing specialized formats) of production, and whether technology assisted review will be utilized, and reach agreement as to the scope and approach to discovery of ESI..... 5

Best Practice 3 – Each party should identify early one or more individuals knowledgeable about the client’s IT practices, and involve these individuals in the Rule 26(f) meet-and-confer process. 7

Best Practice 4 – Upon the filing of a complaint, a default protective order should be automatically put in place, which can be modified on good cause shown, but the motion to modify should not stay discovery. In the absence of a standing order or local rule for such a default protective order, counsel should agree to exchange information at least on an “Outside Counsel Eyes Only” basis to avoid delay in the exchange of relevant documents..... 9

Best Practice 5 – Protective orders should include tiered categories of information to be disclosed during discovery, including “Confidential” and “Confidential—Attorney Eyes Only,” and should identify the number and type of individuals who may be granted access to the disclosing party’s confidential information. 10

Best Practice 6 – Protective orders should address how confidential information disclosed during deposition testimony will be designated..... 12

Best Practice 7 – The parties should ask the court at the outset of the litigation, or as part of the protective order, to enter a Fed. R. Evid. 502(d) order that privilege is not waived by disclosure. Prior to the entry of a protective order, or in the absence of a specific provision in the protective order to the contrary, there should a presumption that a clawback procedure will be available. 12

Best Practice 8 – Because of its importance and its ease of replication by electronic means, software-related confidential information requires special protections..... 13

Best Practice 9 – The use of disclosed confidential information in subsequent proceedings, including any parallel USPTO proceedings, should be specified in the protective order, and disputes should be handled on a case-by-case basis. 14

Best Practice 10 – The patentee should provide basic information and materials within its possession, custody, or control concerning its claims, the development of its patented technology, and the prosecution, ownership, assignment, and licensing of the patents-in-suit..... 17

Best Practice 11 – In its initial disclosures, the accused infringer should provide basic information and materials within its possession, custody, or control concerning its defenses and/or declaratory judgment claims. 18

Best Practice 12 – Within 45 days of receipt of the patentee’s initial disclosures, the accused infringer should produce documents sufficient to show how the accused products work..... 18

Best Practice 13 – The parties should promptly amend and supplement their initial disclosures as they discover or obtain non-cumulative additional information. 19

Best Practice 14 – Within 45 days of receipt of the accused infringer’s initial disclosures, the patentee should serve its infringement contentions for that accused infringer. 19

Best Practice 15 – Within 45 days of receipt of the patentee’s infringement contentions, each accused infringer should serve upon all parties its initial invalidity contentions and responsive noninfringement contentions..... 20

Best Practice 16 – Initial invalidity contentions should state all asserted grounds of invalidity for each of the asserted claims, and should identify each item of prior art that allegedly anticipates each asserted claim or renders it obvious, and the required motivation to combine multiple prior art. 20

Best Practice 17 – Responsive noninfringement contentions should state whether each asserted claim element is present literally or under the doctrine of equivalents (where DOE is asserted in the infringement contentions) in each accused product, and the basis for denying the presence of any element. . 21

Best Practice 18 – Within 45 days of receipt of the accused infringer’s initial invalidity contentions, a patentee should serve upon all parties its responsive validity contentions..... 21

Best Practice 19 – Each party’s initial contentions and responsive contentions should be considered to be that party’s final contentions, except that: (a) A party may amend its contentions no later than 45 days after receipt of the court’s claim construction ruling if the claim construction ruling is not a construction proposed by the party and reasonably necessitates such amendment; (b) A party may promptly amend its contentions in response to new information produced by the opposing party provided such information is not merely cumulative and was not reasonably available to the party before the contentions were due; (c) A party may promptly amend its contentions if reasonably required to respond to amendments in the opposing party’s contentions; or (d) A party may amend its contentions upon obtaining leave of court, based on a showing of good cause justifying such amendment. 21

Best Practice 20 – The parties should confer early in the case about whether to suggest to the court that bifurcation or staging of discovery would be appropriate, and if so, should present the issue to the court at or before the initial scheduling conference..... 23

Best Practice 21 – A patentee should identify and produce, as part of its initial disclosures, documents sufficient to identify all accused products, methods, systems, or instrumentalities it claims infringes its patent(s), and the bases for its claims. 25

Best Practice 22 – In response to a narrowly tailored discovery request, a party should be obligated only to identify all license agreements directed to the relevant field of technology. Then, if the requesting party can demonstrate the potential relevance of specific licenses to the particular reasonable royalty or damages theory advanced, the producing party may be required to produce the license agreements themselves, as well as communications with the licensed parties. 25

Best Practice 23 – In response to a reasonably tailored request and where the requesting party has shown that the production would be relevant and non-duplicative, and in accordance with any protective order entered into, source code should be produced in the format in which it is maintained by the producing party, and the production should include all supporting files and documentation such that an executable version of the program could be completed. 26

Best Practice 24 – When maintained in a version control system, the production of source code should include the revision history of the relevant code. Without the need for further discovery requests, the producing party should make available any changes or updates to portions of the source code relevant to the dispute that occur during the discovery period. The scope of the source code requested and produced should match the scope of the accused products. 27

Best Practice 25 – Discovery into the prosecution of patents and applications related to the patents-in-suit should be limited to non-publicly available information within the custody or control of the producing party..... 27

Best Practice 26 – Broad discovery requests seeking all documents from a prior, related litigation should typically be disallowed. However, discovery requests directed to particularized documents from a prior litigation should be allowed where materiality is shown for such documents that outweighs the burden for their production. 28

Best Practice 27 – Accused infringers should make samples of accused products available to patentees at early stages in litigation where (a) the products for which samples are sought are identified with particularity, (b) the patentee is not able to obtain samples without undue burden, (c) the accused infringer is able to obtain samples without undue burden, (d) appropriate confidentiality restrictions are in place, and (e) the patentee has stated a good faith basis upon which to accuse the particular products for which samples are sought of infringement. 29

Best Practice 28 – If the patentee is not able to obtain samples without undue burden, production of the samples may still be appropriate if the patentee agrees to compensate the accused infringer for all costs associated with obtaining the sample. In instances where the cost associated with obtaining the sample is so high that it cannot be reasonably compensated, it may be appropriate to disallow discovery of samples. ... 29

Best Practice 29 – Accused infringers should not be required to make samples available to patentees of products for which no charge of infringement has been made, unless the patentee can demonstrate a substantial likelihood that production of the sample will lead to discovery of further infringing products..... 29

Best Practice 30 – If the discovery being requested is beyond the permissible scope, it should be disallowed. Fee shifting should not be used to grant access to discovery that is not otherwise permissible..... 30

Best Practice 31 – The court should consider shifting the cost of discovery where the cost of the discovery being sought is disproportionate to the size of the dispute. 30

Best Practice 32 – Consistent with the proposed amendments to the Federal Rules of Civil Procedure, discovery should 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.” 30

Best Practice 33 – The discovery which will typically be most important in resolving the issues in patent cases includes (1) documents sufficient to evidence each discussion with, disclosure to, or other manner of providing to a third party, or sale of or offer to sell, the claimed invention prior to the date of application for the patent-in-suit; (2) documents evidencing the conception, reduction to practice, design, and development of each claimed invention; (3) the file history for each patent-in-suit; (4) samples of the accused products and documents evidencing their design and/or the method of their manufacture; (5) documents sufficient to evidence the revenue and profit generated by sales of the accused products; (6) documents relating to knowledge of the patent-in-suit by the accused infringer; and (7) documents supporting or refuting invalidity defenses (e.g., allegedly invalidating prior art). 31

Best Practice 34 – Discovery of email communications should focus on the issues for which email is likely to be a source of relevant information, and should likewise be permitted only in proportion to the needs and importance of the matter. For example, email communication unrelated to the actual conception and reduction to practice of the claimed inventions or to knowledge of the patent-in-suit (where disputed) may be less important to resolving the issues in a patent case, and their production may not be financially justifiable. 31

Best Practice 35 – If the accused infringer demonstrates that the amount in controversy or the value of any injunctive relief, if available, is small, then discovery should be more limited. 32

Best Practice 36 – The responsibility of a designated Fed. R. Civ. P. 30(b)(6) corporate representative in a patent case extends beyond that individual’s personal knowledge. The witness’s preparation should include reasonably diligent efforts to learn relevant information known to the corporation that would be responsive to questions on each noticed 30(b)(6) topic that can be reasonably anticipated. 33

Best Practice 37 – The corporate representative need not commit to memory the contents of all documents that contain relevant information responsive to the topic on which the representative has been designated, but should be prepared to identify with reasonable specificity the types of documents in which responsive information can be found, and to respond to questions about documents shown to the witness insofar as they can be reasonably anticipated. 34

Best Practice 38 – Counsel taking the deposition may inquire about the sources from whom relevant and responsive information was gathered, and the content of the information obtained from each source, even if the information was gathered by counsel rather than directly by the corporate representative. The witness, however, need only testify to the underlying facts and should not be required to answer questions seeking to elicit information about which information was gathered by counsel rather than directly by the witness. 34

Best Practice 39 – The corporate representative need not memorize or produce a list of all documents reviewed, so long as any such documents reviewed by the witness and responsive to a timely served request for production of documents have been produced to the deposing party prior to the deposition. However, deposing counsel may inquire of the corporate representative what documents he or she recalls reviewing to prepare for the deposition. 34

Best Practice 40 – Counsel should refrain from using privileged documents to prepare a corporate representative for a Rule 30(b)(6) deposition. 35

Best Practice 41 – In general, a Rule 30(b)(6) deposition should not be used to inquire into the opposing party’s contentions regarding substantive positions such as patent infringement, patent validity, willful infringement, or inequitable conduct. 35

Best Practice 42 – In general, a Rule 30(b)(6) deposition should not be used to inquire into the opposing party’s discovery process absent a threshold showing that significant relevant, non-cumulative information has been withheld or overlooked, and that other, less invasive means of inquiry would be insufficient. 36

Best Practice 43 – The parties should communicate about the prioritization and pace of document production and should cooperate in scheduling depositions to allow adequate time for the production of relevant documents in response to timely requests for production. In general, productions of any substantial volume less than five business days before a deposition to which they relate would not be in keeping with this Best Practice. 36

Best Practice 44 – As part of the Rule 26(f) conference, parties should discuss whether to raise with the court suggested expedited or simplified procedures for raising and resolving discovery disputes, and whether such procedures should be included in the discovery plan. 38

Best Practice 45 – Upon request by the parties or otherwise and in the proper case, the court should consider including expedited or simplified procedures for raising and resolving at least some discovery disputes in its Rule 16(b) scheduling order. 38

Best Practice 46 – Parties should consider asking the court to permit letter submissions on those issues on which the parties and the court agree that more formal briefing is unnecessary. 39

Best Practice 47 – Prior to litigation, parties should affirmatively treat communications with foreign and domestic patent attorneys and agents that provide legal support as privileged. Once litigation begins, parties should agree that such communications are protected and are not discoverable. 41

Best Practice 48 – Counsel should agree that no party will inquire about what documents a witness was shown by counsel during deposition preparation. The parties should agree, however, to allow questioning sufficient to determine whether any non-privileged documents shown to the witness have not been produced to the questioning party in the litigation. 41

Best Practice 49 – Counsel should negotiate the proper scope of inquiry in the deposition of a prosecuting attorney before the deposition. While the prosecuting attorney has an obligation to convey certain information to the USPTO, discussions with clients also involve a mix of legal advice regarding the nature and scope of protection that should be sought. Where possible, counsel should agree that the scope of the deposition will be limited to the facts relevant to prosecution of the patent, rather than the prosecuting attorney’s mental impressions. 41

Best Practice 50 – The parties should agree to provide a privilege log with sufficient particularity to allow the receiving party to reasonably challenge the asserted basis for any claim of privilege. However, repetitive document-by-document privilege logs may be unnecessary when adequate descriptions may apply to entire categories of documents withheld on the same basis..... 42

Best Practice 51 – The parties should agree that absent bad faith or flagrant disregard of a party’s obligations, failure to prepare an adequate privilege log does not constitute a waiver of privilege for the communications on the privilege log. The appropriate sanction would be the awarding of costs and fees incurred by the receiving party in successfully obtaining relief from the court based on the inadequacy of a privilege log. 43

Best Practice 52 – The parties should agree that no privilege log entries are necessary for documents or communications that are not relevant under Fed. R. Civ. P. 26. 43

Best Practice 53 – The parties should agree that they need not provide a privilege log containing any communications from the date that the complaint in the litigation was filed..... 44

Best Practice 54 – At the beginning of discovery, the parties should negotiate a deadline for completion of privilege logs that is a reasonable period of time after their respective productions are substantially complete. 44

I. Need to Decrease Cost of Discovery and Curb Abuse in Litigation

Discovery is the one of the most expensive if not the most expensive portion of patent litigation. It also is the area where the greatest abuse often occurs, with some parties demanding overly broad discovery and others stonewalling legitimate discovery. While much of the focus on discovery abuses is directed at those propounded by patent plaintiffs, in particular non-practicing entities (NPEs), the reality is that both patentees (whether practicing the patented technology or not) and alleged infringers are at times guilty of abusing the process. Such abuse drives up costs (both expenses and attorney fees), unnecessarily diverts a significant amount of time for in-house counsel, consumes a significant amount of the already limited resources of the courts, and imposes unnecessary delay to the dispute resolution process and trial. This issue is so contentious that a variety of companies and interest groups have pressured Congress to provide legislative “fixes” to curb these problems. For the good of the entire patent system, best practices must be developed and adopted for improving the overall efficiency of the process, decreasing the expense of discovery, and curbing abusive litigation.

Patent litigation usually involves complex technical issues and large quantity of documents, including both electronic and hard copies of documents relating to the development of the patented technology, development of the allegedly infringing products, prior art, engineering reports, manufacturing records, quality control reports, marketing information, extensive financial information, and emails. Rule 30(b)(6) depositions are commonly utilized to learn what the corporate entity knows about areas of relevant discovery. The complexity of the technology, the volume of relevant documents, and the financial amounts at stake can significantly add to the extent of the discovery taken.

While there is much that can and should be done by the parties to improve the system, at the end of the day, the courts also need to make clear that abusive litigation tactics will not be tolerated. One important tool for accomplishing this is the imposition of sanctions, whether monetary (including fee and cost shifting) or evidentiary. For those litigators responsible for such abuses, a real and present threat of sanctions for such behavior may be the only effective deterrent. With the recent Supreme Court decisions in May 2014 in *Highmark* and *Octane Fitness*,¹ those federal district court judges that intend to hold patent litigants accountable for abusive conduct now have better tools to do so, as the district court now has more flexibility to fashion appropriate awards, and any award of attorney fee shifting by the district court will now be reviewed on appeal under the more deferential “abuse of discretion” standard.

The Sedona Conference’s Working Group 10 (WG10) includes this Chapter on Discovery, as part of its ongoing Commentary on Patent Litigation Best Practices, to set forth a series of proposed best practices intended to minimize the abuses that occur. The goal has been to help streamline the discovery process, require earlier disclosure of the most relevant materials, and require full disclosure of both sides’ contentions at a relatively early stage in the process, all to encourage meaningful and timely settlement discussions and to minimize surprise at trial. To the extent the court does not have local rules to the contrary regarding these aspects of the discovery process, the Working Group recommends the best practices presented below. In developing these proposals, the group has focused on the problems that most often arise in, and are the most impactful to, patent litigation.

¹ *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S.Ct. 1749, 1756 (2014); *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S.Ct. 1744 (2014).

The drafting team has developed six overarching principals that have guided the development of these best practices. These six principles are:

Principle No. 1 – Discovery should be proportionate with the overall nature of the dispute, including factors such as the number of patents or patent families asserted, complexity of the technology involved, the number of accused products involved, the past damages or future value (either monetary or injunctive) of a specific patent litigation, and the importance of the discovery sought to the resolution of the issues.

Patent litigation issues should be decided on their merits and not based on a party's conscious effort to drive up the litigation costs of the other party's to raise the nuisance settlement value of the litigation for that other party, thus extracting a settlement unrelated to the actual value of the allegedly infringed patent(s) in the case. The amount of discovery requested should have a reasonable degree of relationship to the nature of the issues and value involved, and the importance of the information sought to the resolution of those issues. This determination should be addressed by the parties and the court very early in the litigation. If it is later determined that there is a legitimate need for the expansion of discovery, then this can be addressed later in the case.

Principle No. 2 – The parties should meet and confer before the first scheduling conference to discuss the substantive basis for their allegations, specific identification of the claims being asserted and products alleged to infringe, and known prior art, and to discuss the scope of discovery believed to be needed by each party. The parties should continue to meet and confer about the above throughout the case, and to resolve any disputes expeditiously and independent of any court intervention if at all possible.

The parties should have the obligation to attempt in good faith to make decisions about narrowing and focusing the issues truly in dispute and what is needed to take the litigation through to a fair resolution. By being realistic and willing to compromise, the parties can help the court in bringing the focus to the merits of the case more expeditiously.

Principle No. 3 – Each party should be required to disclose primary relevant documents and contentions early in the discovery process and have an ongoing duty to disclose any additional such documents once it learns of their existence or relevancy; the court should consider not allowing untimely produced documents or contentions to be admitted at trial.

Discovery should not be a game of hide and seek. Requiring both sides to turn over primary relevant documents early, and to fulfill this duty on an ongoing basis, expedites the case towards more efficient resolution.

Principle No. 4 – Where appropriate and necessary, courts should seek to resolve discovery disputes expeditiously and should use some form of gating function to determine which disputes truly require formal motion practice.

Where there are true disputes as to the scope of discovery then they need to be addressed by the court and resolved. The court, however, should develop a gating mechanism to distinguish legitimate disputes from those that are improperly raised for purposes of delay or the driving up of costs.

Principle No. 5 – Discovery sanctions should not be routine and should not be pursued by a party in a manner that overshadows the substantive issues in the case. Routinely seeking discovery sanctions, or conducting discovery in a manner primarily aimed at “catching” your opponent in a discovery error is not an efficient use of client or judicial resources.

Patent litigants sometimes pursue discovery sanctions as an end in themselves, with this pursuit taking priority to the legitimate resolution of the substantive issues in the case. Such conduct should be discouraged. Parties in patent litigation should strive to conduct discovery in an orderly manner. Patent litigation should not be pursued with the goal of obtaining discovery sanctions by catching one’s opponent in a discovery error, and then over-dramatizing that error to the court. Pursuing discovery sanctions in this manner in patent cases may, itself, be viewed as misconduct warranting redress by the court.

Principle No. 6 – If a party’s or attorney’s conduct during discovery warrants fee shifting or sanctions, the court should consider appropriate monetary or evidentiary sanctions against the party or counsel to remedy, deter, or punish such conduct.

Abusive conduct by the parties should not be tolerated or condoned by the courts. Making sure that the parties know that they are risking sanctions or fee shifting will serve to curb future abusive conduct.

II. *Initial Discovery Communications*

A. LITIGATION HOLD

Best Practice 1 – Upon reasonable anticipation of patent litigation, parties should issue a litigation hold notice to the individuals most likely to have relevant information and/or control over systems in which relevant information is likely to be stored, and update the notice throughout the litigation (e.g., if additional custodians are identified, or additional patents or accused products are added to the case).

In patent matters, as in other types of litigation, there is not always a clear trigger for the obligation to issue a litigation hold. If a defendant has no prior notice that its product is believed to infringe another's patent, the trigger would be receipt of information that a lawsuit has been filed. Prior receipt of a demand letter sufficiently identifying a patent, an accused apparatus, product, device, process, method,² act, or other instrumentality (collectively referenced hereinafter as "accused product"), and allegations of infringement so as to allow the defendant to identify with reasonable specificity the sources and types of documents and information likely to be relevant would probably also trigger an obligation to issue a litigation hold, absent additional circumstances that, when brought to the attention of the patentee, would make it highly unlikely litigation will ensue (such as, for example, an obviously mistaken understanding about the design or functionality of the accused product, clear evidence of prior invention, or a license covering the accused product).³ On the other hand, a generalized demand letter so broad that it is difficult to define the products or systems that are implicated or to establish reasonable parameters for the documents and data to be retained might not be sufficient to trigger the obligation to issue a litigation hold.⁴

From the patentee's perspective, the trigger will almost certainly arise before the litigation is filed, but probably not at the very first suspicion of possible infringement.⁵ While there is no bright line rule, if the patentee has acquired and analyzed a product and identified its source, and the analysis supports an allegation of infringement of at least one claim, it should issue a litigation hold even if it has not yet explored all possible issues and made a final decision to sue.⁶

The style and content of the litigation hold will vary depending upon a number of factors, including the size of the company and the familiarity of the custodians with such holds. For a larger party, an effective notice may need to identify with some specificity the various types and categories of documents that may be relevant

² The recommendations of this WG10 Patent Litigation Discovery Chapter are focused primarily on device patents. The particular challenges associated with the litigation of process patents will be addressed in a future version of this Discovery Chapter.

³ See *Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311, 1320 (Fed. Cir. 2011); *Hynix Semiconductor Inc. v. Rambus Inc.*, 645 F.3d 1336, 1345–47 (Fed. Cir. 2011); *PersonalWeb Techs., LLC v. Google Inc.*, No. C13-1317, 2014 WL 580290, at *2–3 (N.D. Cal. Feb. 13, 2014); *Apple Inc. v. Samsung Elecs. Co.*, 888 F. Supp. 2d 976, 990–91 (N.D. Cal. 2012).

⁴ See *id.*

⁵ See *id.*

⁶ See *id.*

both to liability and damages, as the ordinary custodian is not likely to understand the full range of issues and potentially discoverable information. A notice that simply announces the existence of a patent dispute and tells the recipients to retain “relevant” documents is unlikely to be meaningful to create an obligation to issue a litigation hold without some further communication to educate the custodians about the types of documents that may be relevant to those issues. On the other hand, if the company is small and the number of custodians and documents relatively limited, a general notice imposing an obligation to retain all information relating to the accused product and the accused infringer may be both reasonable and effective.

The party issuing the litigation hold must also take reasonable steps to assure that the recipients understand it and follow through with the instructions, both immediately and throughout the course of the litigation, until a release of the litigation hold is issued. In addition, as the issues and key players are fleshed out in the course of investigation and litigation, the hold should be reviewed periodically and amplified (or narrowed) as needed.⁷

B. EARLY COOPERATION

As stated in Principle No. 2 above: “The parties should meet and confer before the first scheduling conference to discuss the substantive basis for their allegations, specific identification of the claims being asserted and products alleged to infringe, and known prior art, and to discuss the scope of discovery believed to be needed by each party. The parties should continue to meet and confer about the above throughout the case, and to resolve any disputes expeditiously and independent of any court intervention if at all possible.”

Best Practice 2 – Parties should confer with opposing counsel early and reach agreement as to exchange of information about electronically stored information (ESI), including files to be searched, terms to use for searching, each party’s systems, the number and identification of custodians, format (or existing specialized formats) of production, and whether technology assisted review will be utilized, and reach agreement as to the scope and approach to discovery of ESI.

In every patent case, the parties will benefit from early discussion and exchange of information to lay the foundation for agreement about the appropriate scope of discovery efforts and cost-effective approaches to searching, collecting, reviewing, and producing electronically stored information (ESI).⁸ Such agreements could include:

- A limit on and/or identification, by name or by function, of custodians and files to be searched. Any such discussion should include the process by which the parties will identify the sources to be searched, either for themselves or for their opponents. For example, the parties may agree that each will identify in good faith its own sources to be searched based upon its superior knowledge of where relevant documents are likely to be located, or that each will identify the sources the other must search based upon information exchanged at the Rule 26(f) meetings and in

⁷ For a full discussion on the issuance of legal holds, see The Sedona Conference, *Commentary on Legal Holds: The Trigger & The Process*, 11 The Sedona Conference Journal 265 (2010).

⁸ For a full discussion on eDiscovery issues, see *The Sedona Principles: Best Practices Recommendations & Principles for Addressing Electronic Document Production* (2d ed., June 2007), available at <https://thesedonaconference.org/download-pub/81> (last visited Oct. 27, 2014).

initial disclosures. Or, they could agree that each will identify, e.g., five sources of its own, and that the other will add two to the list.

- Exclusion of emails from the first round of discovery, or from discovery altogether. In many patent cases, evidence relevant to infringement or validity is unlikely to be found in emails, or will be cumulative of evidence available from other sources. Thus, where there are significant quantities of ESI, the goals of Fed R. Civ. P. 1 could be advanced if the parties agree to focus first on discovery into sources most likely to have ESI that is directly relevant to claims and defenses in the pleadings, and thus to exclude emails until and unless it appears that new, probative, non-cumulative evidence may be located there and is worth the cost of searching for it. On the other hand, where evidence that is directly relevant to a claim or issue is most likely to be found in emails, such as, for example, in a case where the defendant's email communications with its customers could be critical to showing indirect infringement or the value to customers of the patented feature, postponing email discovery may yield no advantages in overall cost or efficiency. Regardless, however, of whether it is "phased" or included from the outset, it would be a best practice for the parties to focus email discovery by agreeing that the party seeking emails will propound specific, issue-oriented requests for which emails should be searched and produced.
- The tools or methods to be used to cull ESI (e.g., manual review, key term searching, technology assisted review tools, etc.). This discussion will also have to include how those methods will be implemented. If the parties conclude that key terms will be best for searching the data set for relevant and responsive documents, they will need to determine how many key terms will be used and how and by whom they will be selected and validated. If predictive coding or another technology assisted review tool will be used, they will need to discuss the approach to creating review sets and gathering data, the protocols for quality control, etc.

The parties should keep in mind that the benefits, or lack thereof, of particular approaches to culling and review might be dependent on the technology area of a particular case and the kinds of documents likely to be sought and produced. Predictive coding, for example, can be particularly useful where there is a large volume of documents containing data that is primarily text (e.g., emails, PDFs, and word processing files). On the other hand, patent cases often involve numerous documents that are not predominantly text-based, such as spreadsheets, engineering drawings, or analytical results presented in graphs and charts, which do not lend themselves to predictive coding or other technology assisted review techniques and tools. Therefore, the early exchange of accurate information about the types of documents and data likely to be sought and produced in discovery is key to a meaningful discussion and agreement about the most cost-effective approaches to finding, reviewing, and producing them. The parties should also discuss whether the documents yielded by the key term search or application of the technology assisted review protocol will be produced in their entirety (subject to review for privilege) or further reviewed and culled for relevance.

Counsel should also discuss the form of production, not only to accommodate the parties' respective review platforms, but also to anticipate and deal with documents that may not lend themselves to traditional review or production formats. Again, the parties should consider whether they will be producing a number of documents that may need to be produced in native form to allow meaningful review, such as spreadsheets, documents created using proprietary software, or certain regulatory submissions that can only be viewed

using special software. Understanding and reaching agreement on these technical issues can minimize unnecessary disputes, delay, and duplication of discovery efforts down the line.

Clients tend to be highly protective of source code (which can be defined as code to drive consumer equipment, code to drive the manufacturing process, and even in some cases the “recipe” files which chip manufacturers use). These issues should be discussed between counsel to devise a plan that adequately protects the producing party without stifling the need for necessary information.

The parties should, of course, always consult the local rules for the district and judge before whom they are appearing. Many jurisdictions and individual judges have adopted rules for patent cases, or for complex civil litigation generally, that address these and other topics intended to further proportionality and efficiency in discovery.⁹

Subsequent sections of this Chapter will discuss in greater detail phasing of discovery, such as by topic, by source, or by type of document.¹⁰

C. IT POINT OF CONTACT

Best Practice 3 – Each party should identify early one or more individuals knowledgeable about the client’s IT practices, and involve these individuals in the Rule 26(f) meet-and-confer process.

The productivity of the discussion of ESI during the meet-and-confer process prescribed by Fed. R. Civ. P. 26(f) will be directly proportionate to counsel’s and their clients’ preparation for that discussion. Too often, neither counsel nor the party takes the time to prepare for the meeting by consulting with client IT personnel or consultants who are truly knowledgeable about the volume, locations, systems, and formats in which key documents and data are likely to be kept, what the retention and disposition schedule is for that information, and whether there are any unique difficulties associated with searching for it, viewing it, and producing it. Accordingly, the discussion of ESI at the Rule 26(f) meeting is often either one-sided or, worse, virtually nonexistent, with counsel essentially “kicking the can down the road” with regard to how ESI will be handled. The result is that a valuable opportunity to reach early agreements that could narrow the scope of discovery, minimize costly and time-consuming disputes later in the case, and make the discovery process more cost-effective for all clients is lost.

Some have urged that the client IT contact should always be present at the Rule 26(f) meeting, but outside counsel may worry that the Rule 26(f) meeting could morph into a meet-and-informally-depose, with the contact reacting “off the cuff” and saying or promising more than was intended or helpful. This best practice, therefore, does not take the position that the contact’s presence in person is necessary. What is essential, however, is that the relevant subject matter experts are involved in preparing counsel for the Rule 26(f) meeting so that counsel is best positioned both to request and to offer what they need to optimize the efficiency and effectiveness of the electronic discovery process. Ideally, a contact would also be available by phone during the Rule 26(f) meeting to consult with counsel as unanticipated issues arise or proposals are exchanged.

⁹ For an initial discussion about the use and application of representative claims, representative prior art, and representative accused products, see The Sedona Conference, *Commentary on Patent Litigation Best Practices: Case Management from the Judicial Perspective Chapter* (2014, forthcoming). This WG10 Discovery Chapter drafting team will follow up with best practice recommendations on these issues in the next version of this Chapter.

¹⁰ See *infra* Sec. V. (Bifurcation or Staging of Discovery).

III. Protective Orders

Protective orders present particular concerns in patent litigation given the nature of the information being exchanged. To be sure, patent matters involve many of the same issues presented in other commercial cases, such as the preservation of confidential financial and employee data. But the heart of every patent case is the technology of the parties. The objectives here, then, are not just to ensure that confidential information is shielded from becoming public (where it could harm the parties' trade secret rights or adversely affect their ability to secure related patents), but the parties should be afforded an ability to ensure that their strongest commercial assets do not fall into the hands of competitors, even if such disclosure were to occur on a "confidential" and non-public basis.

Because of these concerns, the adoption of a suitable protective order often becomes a choke point that serves to delay timely exchange of information among the parties and the conduct of discovery. Courts have sought to avoid discovery delays in patent cases in a number of ways, including the promulgation of local patent rules that provide court-approved default protective orders that do not require negotiation, standing or automatic orders of individual judges in districts where there are no local patent rules, or in the absence of such orders, the provision of a standing rule that restricts the access of information (typically to outside counsel only) until a protective order can be entered. As of this writing, there is currently no national, "uniform" solution to the protective order question.

The Sedona Conference has previously published its suggested best practices for balancing the public's right of access against the need to protect confidential information in civil cases generally.¹¹ However, patent cases often present a heightened degree of harm to the disclosing party if confidential information is disseminated publicly. As such, at the discretion of the court and in view of all the facts and circumstances of the case, the potential public disclosure of confidential information in such cases might receive greater scrutiny than is the case in the ordinary civil action.

The Working Group does not attempt to set forth here a model protective order. Instead, the Working Group proposes the following Best Practices to guide litigants and the courts in the process of developing and negotiating the protective order while appropriately balancing the above competing factors.

A. PROCEDURES ENCOURAGING TIMELY PRODUCTION OF RELEVANT DOCUMENTS

Early disclosure of documents and information relevant to central liability and/or damages issues is necessary to advance the parties' understanding of the challenges and strengths of their respective positions, and is important to facilitate early settlement discussions. Disputes concerning the terms of the protective order delay the exchange of this information, stall the progress of the case, and can expose a withholding party to a risk of waiving what might be valid objections to production. Accordingly, the Working Group proposes the following best practices regarding the use of default protective orders and the inclusion of provisions concerning waiver and the return of inadvertently produced privileged or undesignated confidential information.

¹¹ See *The Sedona Conference Guidelines: Best Practices Addressing Protective Orders, Confidentiality & Public Access in Civil Cases* (March 2007), available at <https://thesedonaconference.org/download-pub/478> (last visited Oct. 27, 2014).

Best Practice 4 – Upon the filing of a complaint, a default protective order should be automatically put in place, which can be modified on good cause shown, but the motion to modify should not stay discovery. In the absence of a standing order or local rule for such a default protective order, counsel should agree to exchange information at least on an “Outside Counsel Eyes Only” basis to avoid delay in the exchange of relevant documents.

Where the protective order is court-imposed, parties should be afforded the ability to seek modification of the standing order to accommodate the particular circumstances in a given case. For example, if the disclosing party seeks to restrict access by in-house counsel¹² to the disclosing party’s confidential information, the disclosing party should immediately bring the issue to the attention of the receiving party—before the deadline for disclosure—and engage in good-faith negotiations with the receiving party to reach a mutually acceptable solution. Where the parties do not agree, the disclosing party should seek immediate relief from the court before the disclosure deadline occurs. The court preferably should immediately order the information to be produced on an “attorney’s eyes only” basis until the parties have had an opportunity to be heard on the circumstances at hand and how the court-imposed order can be modified.

In weighing the various circumstances that might warrant modification of a standing protective order, the court and parties should consider the following non-exhaustive factors:

- The size and resources of the respective parties (e.g., parties with limited resources might seek to undertake much of the discovery internally rather than hiring outside counsel for discovery purposes);
- Whether the parties are competitors;
- The scope of the restriction sought to be imposed (e.g., a narrowly tailored restriction is preferred over a broad one);
- The role of a single in-house counsel and her ability to effectively serve her client’s interests should be balanced against the risk of harm that might come to the producing party from disclosure (e.g., a party with only one in-house counsel could be significantly prejudiced if not permitted to have access to the opposing party’s confidential information, whereas a party with a large internal legal department may be able to limit access to a small number of identified in-house attorneys to eliminate the risk that the disclosing party’s information is used to obtain a commercial advantage in matters unrelated to the litigation at hand; on the other hand, a single in-house counsel may be so integrally intertwined in the business that disclosure to him or her of the other party’s confidential information could risk more harm than disclosure to in-house counsel with a more narrowly defined role);
- Where the disclosing party requests that in-house counsel have no access to confidential information, whether instead, limitations on such access might be imposed to eliminate or significantly mitigate the potential harm identified by the disclosing party, and the circumstances in which the limitations might apply (e.g., in-

¹² This sometimes might be inclusive of outside counsel who regularly serves a particular client in lieu of in-house counsel.

house counsel can agree not to engage in patent prosecution in the subject matter for a defined period after the date of disclosure, or not to counsel the relevant business on matters related to future product design or pricing; in some cases or for certain types of information, it might be sufficient for in-house counsel to simply affirm the obligation not to use the information for any purpose unrelated to the litigation at hand); and

- The court's case management order and case schedule (the court and parties should avoid imposing restrictions that would adversely affect the schedule of the case).

The court should retain the discretion whether such a modification is warranted under the circumstances of any particular case.

If an agreed or default protective order is not in place, the disclosing party should seek an agreement with the opposing party to permit the disclosure on an "Outside Counsel Eyes Only" basis until a protective order is entered. If no such agreement can be reached, the disclosing party may object to going forward with the production until a protective order is entered. If the information or documents are under an obligation of confidentiality involving a third party, the disclosing party should object and provide prompt notice and an opportunity to object to the third party so that the issue can be quickly resolved and the information and documents disclosed in a timely manner.

B. PROCEDURES FOR PROTECTING CONFIDENTIAL INFORMATION

A protective order should define tiered categories of confidential information that will be disclosed. It should also identify the various participants in the litigation, the type(s) of confidential information to which such persons may have access, and the undertaking that must be signed in advance of having access to confidential materials. Generally, court personnel should not be required to sign an undertaking because they are already bound by judicial rules of ethics to preserve the information as confidential. Attorneys are similarly obligated by ethical rules, but additional restrictions may be imposed in an undertaking such as an affirmation that counsel is not involved in the prosecution of patents involving the same subject matter, or that counsel will refrain from doing so for a specified time period. Litigation support personnel acting on behalf of counsel, such as document management employees, paralegals, court reporters, experts (both testifying and consulting), etc., are usually required to sign an undertaking. Prior to allowing access to confidential information to outside experts, including technical, financial, and marketing experts, the receiving party should identify such persons to the disclosing party, and provide the disclosing party a reasonable opportunity to object. A protective order will often set out a procedure for the identification of litigation support personnel and the amount time from the date of that identification by which the disclosing party may lodge an objection.

1. Designation of Authorized Recipients of the Receiving Party of Produced Confidential Information

Best Practice 5 – Protective orders should include tiered categories of information to be disclosed during discovery, including "Confidential" and "Confidential—Attorney Eyes Only," and should identify the number and type of individuals who may be granted access to the disclosing party's confidential information.

“Confidential” information ordinarily includes non-public information that is less sensitive to public disclosure, whereas “Confidential—Attorney Eyes Only” information is typically reserved for especially sensitive information such as technical, financial, marketing, or information useful for competitive purposes or in preparation or prosecution of a patent application relating to subject matter. The disclosing party should be responsible for designating documents as either “Confidential Information” or “Confidential Information—Attorney Eyes Only.” In some exceptional cases, there may be a benefit to additional level(s) of designation(s). Regrettably, over-designation occurs frequently in cases involving numerous documents, and any party may challenge a designation. Also, “Source Code Confidential” (see discussion below) may also be employed in cases involving computer programs.

It is preferable to grant access to a certain number of non-legal employees of the receiving party. Patent litigation often includes technical and scientific issues that make impracticable a complete division between counsel and the receiving party’s in-house technical and scientific experts. Recognizing the need for collaboration between counsel and certain of the receiving party’s employees, the following is a list of individuals who should be granted access to confidential information:

- A limited number of specially-identified employees of the receiving party whose assistance is necessary to the litigation. These individuals will generally have access to “Confidential Information,” but NOT “Confidential—Attorney Eyes Only.” Receiving parties should avoid designating employees who are involved in the research and/or development of new products. The protective order, however, could include certain additional restrictions on such employees designed to mitigate the risk that disclosed information is used for a commercial purpose unrelated to the litigation.
- A limited number of specially-identified in-house counsel and their administrative support staff. Greater scrutiny, and perhaps additional conditions to access, should be used with respect to in-house counsel who prepare, prosecute, supervise, or assist in the preparation or prosecution of any patent application that pertains to the field of invention of the patents-in-suit. Such additional conditions could include a requirement that the in-house counsel not participate in such activities while the case is pending, or for some other defined period of time. Where the receiving party is a small entity with a small team of in-house counsel, the court should consider whether a party should be exempted from restrictions on prosecution activity.
- Outside counsel and their administrative support staff, supporting personnel, experts, consultants, or other litigation support service providers.
- Other designated persons as agreed by the parties.

In terms of the notice period required before any such disclosure is made, the receiving party should provide the disclosing party with notice approximately ten calendar days prior to sharing information with any of the above individuals (the triggering event for this 10-day period is the notification of proposed disclosure by the receiving party). However, notice should not generally be required for disclosure to the following individuals:

- Individuals who authored or previously received the information;

- Rule 30(b)(6) designees, as to information authored by an employee of the company for which the designee is to testify;
- The disclosing party's own employees; and
- Any individuals mutually agreed upon by the parties.

2. Procedures for Confidentiality Designation and for Resolution of Disputes

The protective order should specify the procedures and timing for designating information and testimony as confidential. In the absence of such provisions, however, the Working Group proposes the following best practices.

Best Practice 6 – Protective orders should address how confidential information disclosed during deposition testimony will be designated.

Protective orders should permit the parties to designate the transcript as containing confidential information at the time of deposition, or within 14 calendar days after the deposition. In the event that the transcript is not identified as containing confidential information at the time of the deposition, or within 14 days thereafter, the transcript may be presumed to not contain confidential information. During the 14 days after the deposition, however, deposition transcripts should be presumed to contain confidential information and should be treated accordingly. Counsel should endeavor to designate only those portions of the transcript that contain confidential information.

Alternatively, a party may choose to designate an entire transcript as confidential unless and until a portion of it is to be used in connection with a motion or other court filing. In this event, and prior to the filing, the moving party should be required to meet and confer with the designating party to determine which portions of the transcript are truly confidential. This approach can result in efficiencies. Only a relatively small amount of deposition testimony is ever used for a motion or court filing. Requiring parties to review and designate every transcript can result in unnecessary work and expense to the client, as well as over-designation of testimony as confidential. A potential downside of this approach, however, is the opportunity for gamesmanship. A designating party may seek to exploit the meet and confer process to delay the moving party's motion and/or to obtain advance information about the subject and content of the intended motion.

Best Practice 7 – The parties should ask the court at the outset of the litigation, or as part of the protective order, to enter a Fed. R. Evid. 502(d) order that privilege is not waived by disclosure. Prior to the entry of a protective order, or in the absence of a specific provision in the protective order to the contrary, there should be a presumption that a clawback procedure will be available.

In patent litigation today, the volume of information sought and disclosed is often very significant and is usually in electronic form. Even so, primacy should be placed on the timely production of relevant documents and materials. It is possible, however, that even when a disclosing party has used reasonable processes for review and production of this great volume of information, privileged materials, or undesignated confidential information can be inadvertently produced. Such production does not necessarily constitute a waiver.

Fed. R. Civ. P. 26(b)(5)(B) provides a default "clawback" procedure, under which inadvertently produced information subject to a claim of privilege is returned or sequestered, pending court determination of the

applicability of the privilege claim, if it is in dispute. In addition, the ABA Model Rule of Professional Conduct 4.4(b) has been interpreted as requiring an attorney to return inadvertently disclosed privileged or confidential information,¹³ and that rule is incorporated into the USPTO Rules of Professional Conduct as § 11.404(b). In addition to establishing a procedure to clawback privileged and confidential documents, the parties should ask the court to establish a substantive rule for determining questions of privilege waiver by entering a Fed. R. Evid. 502(d) order that privilege is not waived by disclosure, either as an explicit paragraph in the protective order or as a stand-alone order.

A protective order should provide that if the receiving party discovers that the disclosing party may have unintentionally produced privileged or undesignated confidential information, the receiving party should promptly notify the disclosing party and should treat the information as privileged or confidential. If the disclosing party timely identifies the materials as inadvertently produced, particularly in the case of privileged information, the disclosing party may request their return within a reasonable, fixed period of time, or a certification of their destruction (subject to the receiving party contesting the assertion of privilege and submitting the documents in question to the court under seal for a judicial determination). The parties should negotiate a procedure for the return and replacement of produced documents where the privileged information was included on a drive or other media that also included non-privileged information, or where the inadvertently produced documents will be redacted rather than withheld in their entirety.

The return of any materials that are “clawed-back,” however, should not preclude the receiving party from moving the court for an order that, e.g., the information is not privileged and is not immune from production, or that the circumstances of the production in fact constituted a waiver. Absent explicit terms to the contrary, compliance with the terms of a protective order should not be construed to mean any of the following:

- An admission by either party that the information exchanged is or is not a trade secret or otherwise confidential;
- An admission by either party that the information is either within or beyond the scope of permitted discovery;
- A waiver of either party’s rights to obtain an order compelling that particular information be produced;
- A preclusion of either party from seeking further protective orders; or
- A preclusion of the parties from reaching mutual agreement about particular terms of the protective order.

Best Practice 8 – Because of its importance and its ease of replication by electronic means, software-related confidential information requires special protections.

To adequately protect the disclosing party’s source code, the preferred approach would be for the protective order to contain one or more of the following:

- A separate designation for “Source Code Confidential” information (which may restrict further which individuals may have access). The term “source code” here

¹³ See ABA Formal Opinion 11-460 (Aug. 4, 2011).

normally includes source files, make files, intermediate output files, executable files, header files, resource files, library files, module definition files, map files, object files, linker files, browse info files, and debug files.

- Limitation on the number of “stand-alone” (i.e., not networked) computers that receiving party may view the information.
- “Stand-alone” computers should be provided at the offices of outside counsel for the disclosing party (or as parties agree), and when the information is disclosed at a location within the control of the disclosing party, then the receiving party should undertake the following obligations:
 - The receiving party should limit its request for access to normal business hours;
 - The receiving party should provide reasonable notice of its request for inspection; and
 - Only those designated under the protective order should be entitled to obtain access to the confidential information.
- Source code should not be copied (except for printing out of select portion to be used at a deposition or at trial) or decompiled, although selected portions source code may be printed for later use if labeled “source code confidential” (or whatever designation the parties have previously agreed to).
- The disclosing party should supply software with which to view its source code.
- The disclosing party may supervise outside of room where standalone computer containing source code is located, but the disclosing party should not be permitted to review work product generated from the receiving party’s review of the source code.
- The receiving party should keep a log of who has reviewed source code and when.

Best Practice 9 – The use of disclosed confidential information in subsequent proceedings, including any parallel USPTO proceedings, should be specified in the protective order, and disputes should be handled on a case-by-case basis.

The preferred way of handling information previously disclosed under the terms of a protective order is to permit the parties at the conclusion of litigation to destroy the information or return it to the disclosing party. In the case of destruction of information previously exchanged, protective orders often require the parties to certify that the information has been destroyed, while also permitting outside counsel for each party to retain one record copy in the event that a subsequent dispute occurs between the parties.

A common question that arises is the extent to which information exchanged in one proceeding may be used in a subsequent proceeding. An example of this question might be where a subsequent dispute raises as an issue the party’s duty of candor to the United States Patent and Trademark Office (as in the case where, say, a party fails to disclose prior art produced in a previous litigation in connection with a related but subsequent patent application). However, issues of this sort are very often inherently fact-specific and frequently depend

upon the precise terms of the protective order that was adopted in the previous litigation. For example, if the disclosure in the prior case was limited to only a limited number of individuals who are not now involved in the subsequent patent application, then the patent applicant might properly assert that it has not violated its current duty of candor. Nevertheless, because these and other issues depend so much not only on the precise terms of the protective order entered in the previous patent litigation but also upon the facts that are at issue in the subsequent litigation, the preferred way to handle such disputes is simply to leave the matter at the discretion of the court after hearing from the parties. Of course, the parties may consent to a prospective ban on the subsequent use of any information disclosed for any purpose. In short, with regard to the use of information in subsequent proceedings, it is perhaps best to avoid having a “one-size-fits-all” protective order addressing every conceivable issue that might arise after the litigation at hand has reached its conclusion.

IV. Automatic Disclosures and Contentions

As stated in Principle No. 3 above: “Each party should be required to disclose primary relevant documents and contentions early in the discovery process and have an ongoing duty to disclose any additional such documents once it learns of their existence or relevancy; the court should consider not allowing untimely produced documents or contentions to be admitted at trial.”

Mandatory automatic disclosures and contentions regarding fundamental information allow the parties to identify and define key issues central to the dispute(s) early in the action, and without the time and expense associated with broad, general discovery. Most local patent rules require initial disclosures as well as an exchange of contentions on issues of infringement and validity. In this paper, the Working Group refers to these as “initial disclosures” and “initial contentions.”

In addition to recommending the continuation of initial disclosures and initial contentions, the Working Group proposes best practices regarding “supplemental disclosures” and “responsive contentions.” Supplemental disclosures should be required as new and additional information comes to the parties’ attention through investigation and discovery. Responsive contentions should be made in response to the initial contentions of the opposing party on the issues of infringement and validity. The Working Group is of the view that supplemental disclosures and responsive contentions will serve to more effectively define the key areas of dispute, thus facilitating earlier and more productive settlement discussions and mediations, and improving overall case management by focusing the parties’ and the court’s efforts on the issues that may dispose of or at least narrow the case.

The Working Group recognizes that the requirement of responsive contentions could lead to disputes and motion practice regarding the sufficiency of each party’s contentions. However, in recommending these and all of the best practices herein, the Working Group assumes the parties will perform their obligations in good faith, and will produce the best and most complete disclosures and contentions as are reasonably possible at the time they are exchanged.

The Working Group further recognizes the risk that a party could exploit the contention process in a way that effectively, and improperly, shifts the burden of proof from one party to the other. A patentee, for example, should not be allowed to provide insufficient infringement contentions and then expect the accused infringer to provide more robust responsive noninfringement contentions. Similarly, an accused infringer should not be permitted to provide insufficient invalidity contentions and then expect the patentee to provide more detailed validity contentions.

To mitigate against this risk, the Working Group recommends as a general rule that responsive contentions be required only upon the receipt of meaningful initial contentions commensurate in detail to the information available to the producing party at the particular stage of the litigation.

A. INITIAL DISCLOSURES

1. Patentee's Initial Disclosures

Best Practice 10 – The patentee should provide basic information and materials within its possession, custody, or control concerning its claims, the development of its patented technology, and the prosecution, ownership, assignment, and licensing of the patents-in-suit.

To the extent such information is currently in its possession, custody or control, the patentee's initial disclosures should be required to include:

- Identification of every accused product) that it claims infringes each asserted patent(s);
- Documents sufficient to show the facts upon which it relied to support the allegations of infringement set forth in the complaint;
- The original owner(s) of the asserted patent(s);
- The assignee(s) of the asserted patent(s);
- Any licensee(s) to the asserted patent(s);
- Any prior or concurrent litigation involving the asserted patent(s);
- Any documents reflecting the development of the patented technology;
- To the extent the party wishes to preserve the right to rely, for any purpose, on the assertion that its accused product practices the claimed invention, each such accused product; and
- Any non-party who is or will be directing, controlling, or funding that party's pursuit of the litigation.

Under current court precedent and the Federal Rules of Civil Procedure, there is no requirement that a patentee identify all accused products in the complaint.¹⁴ This Best Practice would deliver this fundamental information to the accused infringer, as it is known to the patentee at the time of the disclosure, at a very early stage in the case. This Best Practice is not intended, however, to anticipate or duplicate the party's infringement contentions due at a later point in the litigation, or to prevent the party from accusing additional products of infringement after further investigation or discovery, or in other appropriate circumstances.

This Best Practice also calls for the patentee to identify documents sufficient to show the development of the patented technology and for the identification and/or production of the accused products (to the extent they can be reasonably produced) that the patentee contends practice the claimed invention. Such information is uniformly sought in patent infringement cases, and the early disclosure of it may streamline the discovery process and minimize unnecessary discovery disputes.

¹⁴ The recently proposed Amendments to the Federal Rules of Civil Procedure would abolish Form 18 relating to the form of patent complaints.

As a part of its initial disclosures, the patentee should also be required to produce basic documents concerning assignment, licensing, and prosecution of the patents-in-suit, specifically:

- Documents sufficient to show all assignments of the asserted patent(s)
- Copies of all licenses to the asserted patent(s); and
- A copy of the file history for each asserted patent, except for those portions of the file history that are publicly available on the U.S. Patent and Trademark Office website on the date of the disclosure.

Because there is a cost associated with the search, collection, and production of documents, it is generally not a best practice to require a party to obtain and produce public documents that are equally available to both sides. The producing party may, at its option, produce both publicly available and unavailable documents in its disclosure for the sake of efficiency and completeness.

2. Accused Infringer's Initial Disclosures

Best Practice 11 – In its initial disclosures, the accused infringer should provide basic information and materials within its possession, custody, or control concerning its defenses and/or declaratory judgment claims.

An accused infringer who claims the asserted patent(s) is invalid or unenforceable should be required to include in its initial disclosures:

- Each item of prior art (including evidence of any asserted public disclosure or use or offer for sale) which that party alleges either alone or in combination with other prior art invalidates one or more of the asserted patent claims;
- Any non-party who is or will be directing, controlling, or funding that party's defense of the litigation;
- If the party asserts an equitable defense such as laches or estoppel, the facts that form the basis of the defense; and
- If the party asserts a license defense, the license that forms the basis of the defense.

The recommendations regarding publicly available documents described in the comments to Best Practice 10 above apply to the disclosures of this Best Practice as well.

In actions seeking a declaratory judgment of noninfringement, invalidity, or unenforceability, the parties' initial disclosures requirements should not apply unless and until a party makes a claim for patent infringement.

Best Practice 12 – Within 45 days of receipt of the patentee's initial disclosures, the accused infringer should produce documents sufficient to show how the accused products work.

Subject to leave of the court, the accused infringer should produce documents sufficient to show how the accused products work within 45 days of receipt of the patentee's initial disclosures. Such documents may include but are not limited to operation manuals, product literature, schematics, and specifications.

In declaratory judgment actions where a licensee seeks relief from an obligation to pay royalties on the ground that no valid claim of the licensed patent covers an accused product on which royalties are sought, the parties' initial disclosure requirements should not apply unless and until the licensor asserts that at least one claim of the licensed patent does cover the accused product.

3. Supplementation of Initial Disclosures

Best Practice 13 – The parties should promptly amend and supplement their initial disclosures as they discover or obtain non-cumulative additional information.

Each party's initial disclosures should be complete with respect to its knowledge at the time of the disclosure. It is understood, however, that new information will come to light through investigation and discovery. This Best Practice calls for the parties to promptly supplement their initial disclosures upon the discovery of such new information. Ideally, these supplemental disclosures should be made prior to the time the parties' respective initial and/or responsive contentions are due to be served.

B. INITIAL AND RESPONSIVE CONTENTIONS

1. Patentee's Initial Infringement Contentions

Best Practice 14 – Within 45 days of receipt of the accused infringer's initial disclosures, the patentee should serve its infringement contentions for that accused infringer.

Most local patent rules and/or scheduling orders require the patentee to provide a detailed disclosure of asserted claims and infringement contentions. This Best Practice recommends that such contentions be made, subject to leave of the court, no later than 45 days after the patentee receives the accused infringer's initial disclosures, and that the contentions specifically:

- Identify each claim of each asserted patent that is allegedly infringed by each opposing party;
- Separately for each asserted claim, identify each accused product;
- State where each element of each asserted claim is found within each accused product, including, for each element that the patentee contends is covered by 35 U.S.C. § 112(6), a description of the claimed function of that element, and the identity of the structure(s), act(s), or material(s) in the accused product that performs the claimed function;
- State whether each element of each asserted claim is claimed to be literally present or present under the doctrine of equivalents in the accused product, and, if present under the doctrine of equivalents, explain each function, way, and result that such party contends are equivalent, and why it contends that any differences are not substantial;
- State, for any patent that claims priority to an earlier application, the priority date to which each asserted claim allegedly is entitled; and

- If a patentee wishes to preserve the right to rely, for any purpose, on the assertion that its own product practices the claimed invention, identify separately for each asserted claim each such product.

2. **Accused Infringer's Initial Invalidity Contentions and Responsive Noninfringement Contentions**

Best Practice 15 – Within 45 days of receipt of the patentee's infringement contentions, each accused infringer should serve upon all parties its initial invalidity contentions and responsive noninfringement contentions.

As discussed above, most local patent rules and/or scheduling orders require an accused infringer to disclose its invalidity contentions.¹⁵ Noninfringement contentions, however, are less common.¹⁶ The Working Group is of the view that requiring such contentions will serve to narrow or even eliminate issues for claim construction and trial, may reduce discovery disputes, and may facilitate early settlement discussions. Subject to leave of the court, these should be served within 45 days of receipt of the patentee's infringement contentions.

Best Practice 16 – Initial invalidity contentions should state all asserted grounds of invalidity for each of the asserted claims, and should identify each item of prior art that allegedly anticipates each asserted claim or renders it obvious, and the required motivation to combine multiple prior art.

Invalidity contentions should state all asserted grounds of invalidity for each of the asserted claims, including invalidity based on 35 U.S.C. § 101, indefiniteness under 35 U.S.C. § 112(2), or lack of enablement or written description under 35 U.S.C. § 112(1).

The invalidity contentions should identify each item of prior art that allegedly anticipates each asserted claim or renders it invalid, specifically:

- Each prior art patent should be identified by its number, country of origin, and date of issue. Each prior art publication should be identified by its title, date of publication, and where feasible, author and publisher;
- Prior art under 35 U.S.C. § 102(b) should be identified by specifying the item offered for sale or publicly used or known, the date the offer or use took place or the information became known, and the identity of any person or entity who publicly used the item, who made or received the offer for sale, or who disclosed or received the information;
- Prior art under 35 U.S.C. § 102(f) should be identified by providing the name of any person(from whom and the circumstances under which the invention or any part of it was derived;

¹⁵ See, e.g., Local Rules of Practice for Patent Cases before the United States District Court for the Northern District of California; Rules of Practice for Patent Cases before the Eastern District of Texas.

¹⁶ See, e.g., Local Patent Rules for the United States District Court for the Western District of Pennsylvania.

- Prior art under 35 U.S.C. § 102(g) should be identified by providing the identities of any person or entity involved in and the circumstances surrounding the making of the invention before the patent applicant.

If a combination of items of prior art allegedly makes a claim obvious, each such combination should be disclosed, and the motivation to combine such items should be identified.

Invalidation contentions should also state with specificity where in each alleged item of prior art each element of each asserted claim is found, including, for each element that such party contends is governed by 35 U.S.C. § 112(6), a description of the claimed function for that element and the identity of any structure, acts, or material in each item of prior art that performs the claimed function.

Best Practice 17 – Responsive noninfringement contentions should state whether each asserted claim element is present literally or under the doctrine of equivalents (where DOE is asserted in the infringement contentions) in each accused product, and the basis for denying the presence of any element.

Noninfringement contentions should be organized to directly respond to the patentee's early served infringement contentions.

3. Patentee's Responsive Validity Contentions

Best Practice 18 – Within 45 days of receipt of the accused infringer's initial invalidity contentions, a patentee should serve upon all parties its responsive validity contentions.

The patentee's responsive validity contentions should be organized to directly respond to the accused infringer's earlier served invalidity contentions. With respect to contentions that a claim is obvious or anticipated, the validity contentions should state as to each identified element in each asserted claim whether such element is present in each item of prior art identified in the invalidity contentions and, if not, the reason for denying the presence of that element and the relevant distinctions. If any basis for invalidity other than obviousness or anticipation is disclosed in the invalidity contentions, the validity contentions should respond to each such asserted basis. Subject to leave of the court, these should be served within 45 days of receipt of the accused infringer's invalidity contentions.

Best Practice 19 – Each party's initial contentions and responsive contentions should be considered to be that party's final contentions, except that: (a) A party may amend its contentions no later than 45 days after receipt of the court's claim construction ruling if the claim construction ruling is not a construction proposed by the party and reasonably necessitates such amendment; (b) A party may promptly amend its contentions in response to new information produced by the opposing party provided such information is not merely cumulative and was not reasonably available to the party before the contentions were due; (c) A party may promptly amend its contentions if reasonably required to respond to amendments in the opposing party's contentions; or (d) A party may amend its contentions upon obtaining leave of court, based on a showing of good cause justifying such amendment.

Each party should be expected to use due diligence to conduct its own investigation as well as to seek and obtain the necessary discovery from the other party or parties to prepare full and complete contentions by the deadlines set in the court's scheduling order or under the local patent rules. Each party should be encouraged to provide full and appropriate discovery permitting the opposing party to prepare full and complete contentions and minimize a need for later amendments.

This Best Practice recognizes, however, that the court's claim construction and any new information arising in discovery may alter the landscape as to both infringement and validity, and that the parties should have a reasonable opportunity to amend their contentions accordingly. However, the amendments should be responsive to the new developments or to changes in the other party's contentions, and not an attempt to make changes or additions that could and should have been incorporated originally. The court may develop a construction significantly different from that proposed by a party, or sometimes than that proposed by either party, which might lead to the need for the parties to amend their contentions.

V. Bifurcation or Staging of Discovery

Best Practice 20 – The parties should confer early in the case about whether to suggest to the court that bifurcation or staging of discovery would be appropriate, and if so, should present the issue to the court at or before the initial scheduling conference.

While bifurcation and staging of discovery are not typical in patent litigation, the parties should confer early in the case about whether any bifurcation or staging of discovery would be appropriate, and if so, should present the issue to the court at or before the initial scheduling conference.

If thoughtfully implemented, bifurcation of a case or staging of discovery within the case has the potential to conserve judicial and party resources when focus on and resolution of certain issues early in the case is highly likely to dispose of the case altogether or to narrow the issues and pave the way for early settlement. On the other hand, these approaches can lead to delay, duplication of efforts, and waste of resources where there is overlap in the record upon which the issues would be resolved or where the resolution of the earlier issues does not in fact alter the parties' evaluation of or approach to the litigation.

As used in this section, the term “bifurcation” refers to the complete division of a case, including discovery, dispositive motion practice, and trial, into two or more parts in which each is limited to specific issues or sets of issues, such as liability and damages. By contrast, “staging of discovery” refers to the division of discovery within a case into two or more stages, with discovery limited to particular issues or particular sources of information at each stage or at least during the earlier stages. Staging of discovery may occur even if the trial is not divided into corresponding stages.

Whether bifurcation or staging of discovery is appropriate in a particular patent case depends on the circumstances of the case and the case management priorities of the court. The parties and the court must consider not only the likelihood that bifurcation or staging will be successful in achieving an early resolution of the case, but also the consequences to the court and the parties in terms of time and resources if that hope of early resolution is not realized. Generally, bifurcation or staging of discovery should be employed only where the court is satisfied that the likelihood of early resolution and the resulting savings of time and resources would be substantially greater than the disadvantages if the desired early resolution is not achieved.

Potentially relevant considerations include:

- The likelihood that bifurcation or staging of discovery would result in less overall cost and burden to the parties because early resolution may result from attention to earlier-discovered issues.
- The potential for avoiding unnecessary work by the court and the parties, such as motions, interrogatory responses, and depositions on a specific set of issues.
- The potential that bifurcation or staging of discovery would delay the resolution of the case or result in inefficiencies as a result of piecemeal litigation.
- The extent to which discovery underlying important issues cannot be bifurcated or staged cleanly, such as, for example, the commercial success of the accused products

or of the patentee's own products as it relates to lost profits (i.e., damages) on one hand, and to secondary considerations of nonobviousness (i.e., liability) on the other.

- Overlap among sources of information relevant to the various issues that could result in wasteful duplication of discovery efforts (e.g., multiple depositions of the same person or multiple searches or reviews of a custodian's files) if bifurcation or staging does not result in early resolution.
- Whether bifurcation or staging will prevent a party from obtaining otherwise discoverable information that would be key to evaluating the case for settlement, or to determining whether to assert additional claims, and whether that concern can be addressed by permitting limited discovery outside topical limits of a particular stage in order to facilitate settlement evaluation and negotiation.

In general, the separation or staging of discovery into liability and damages phases is not a best practice. Damages information can be of particular use in both parties' evaluation of the scope of a case for both settlement and strategy purposes. On the other hand, bifurcation at trial (perhaps even including expert discovery) of certain issues, such as liability and damages, and sometimes even invalidity from infringement, can be beneficial in some cases.

Also, partial bifurcation or staging of discovery could achieve some of the benefits while avoiding the disadvantages. One approach, which has been adopted in the local patent rules of several courts, is to defer fact discovery on certain issues until after claim construction. Similarly, it could be productive to limit early fact discovery to specific issues and stay discovery on other issues until after the resolution of a specifically anticipated early dispositive motion.

Courts are also sometimes faced with a request to stay fact discovery altogether pending decision of a Rule 11 motion or a motion to dismiss. As with other requests to limit or stay discovery, the court should consider the circumstances of the case and its own case management priorities.^{17 18} A stay pending the court's decision on the motion may be appropriate where the court believes it will be able to issue a decision promptly and where there appears there is a substantial likelihood the decision will dispose of the case altogether.

A variation on staging of discovery may involve limiting discovery during early stages to particular sources of information, particular types of documents (such as technical overview documents and sales summaries), or a particular volume of information (for example, where a representative sampling of documents or products may be sufficient to resolve an issue), even if all issues may be pursued throughout. These approaches can be helpful in furthering the parties' and court's interest in assuring that the burden of discovery is proportional in view of the issues in the litigation and the potential importance of the information sought.

¹⁷ The perfunctory filing of a motion to dismiss in lieu of an answer is not a best practice and should be discouraged. Courts should be alert to impermissible attempts to use such motions and attendant requests to stay discovery as a delaying tactic.

¹⁸ The potential exists for an increase in the number of appropriate motions to dismiss and Rule 11 motions due to recent and anticipated changes in the law. The currently proposed amendments to the Federal Rules of Civil Procedure would eliminate Form 18 and necessitate the need to provide more details in pleading patent infringement, even in a claim of direct infringement. While there are significant potential benefits to requiring this, it also has the potential for increasing disputes over the adequacy of the pleadings. It is anticipated that this issue will be fully addressed in a future version of The Sedona Conference, *Commentary on Patent Litigation Best Practices: Case Management from the Judicial Perspective Chapter* (2014, forthcoming).

VI. Scope and Limits of Discovery

A. AVAILABILITY OF DISCOVERY ON BASIS FOR BRINGING SUIT

Best Practice 21 – A patentee should identify and produce, as part of its initial disclosures, documents sufficient to identify all accused products, methods, systems, or instrumentalities it claims infringes its patent(s), and the bases for its claims.

This best practice is intended to balance the desire of an accused infringer to understand a patentee's basis for bringing suit with the recognition that excessive discovery and litigation of this subject may be a costly distraction from the merits of a case and has the potential to be used to achieve delay or to run up costs.

Such early disclosure is not intended to contemplate the production of claim by claim infringement charts or the exchange of any documents created by the patentee or their attorneys. Rather, the intention is to require the early production of documents in the custody or control of the patentee that the patentee is relying on for its claim of infringement. For example, if the patentee's good-faith basis for alleging infringement by a particular product is the description of the accused functionality in a user manual, the patentee should produce that user manual as well as any documents that lead the patentee to believe that other products function similarly. This production is not in lieu of making a complete production of documents related to these topics to the extent required by Fed. R. Civ. P. 34 during the discovery phase of the case. Of course, to the extent the rules of a particular court call for the patentee's disclosure of infringement contentions before any discovery is provided by the accused infringer, such disclosures may render the production recommended in this Best Practice unnecessary.

The patentee's disclosure and production should be commensurate with its knowledge at the time of the disclosure as necessary to meet its disclosure obligations. The identification or production of a document as part of this disclosure should neither constitute an admission of that document's admissibility, nor should it bind the patentee to any claim construction position, express or implied. The patentee should have no obligation to produce documents or things outside of its custody or control, or to produce attorney work product or otherwise privileged information.

B. DISCOVERY OF LICENSES

Best Practice 22 – In response to a narrowly tailored discovery request, a party should be obligated only to identify all license agreements directed to the relevant field of technology. Then, if the requesting party can demonstrate the potential relevance of specific licenses to the particular reasonable royalty or damages theory advanced, the producing party may be required to produce the license agreements themselves, as well as communications with the licensed parties.

Often there exist license agreements that are clearly directed to the technology in dispute, and may even be directed to the patents in dispute. Where this is the situation, more information should be produced very early in the litigation process. While certain license agreements may be discoverable and contain information relevant to a parties' damages theories, broad discovery requests for "all licenses" should be discouraged absent a showing of potential relevance by the requesting party. By instituting a two-stage process whereby a

requesting party first obtains information regarding the existence of a license agreement, the producing party is shielded from producing irrelevant and confidential information while the requesting party receives information sufficient to make a showing of potential relevance for a further production.

Working Group 9 recommends the exchange by the parties of preliminary compensatory damages contentions (PCDCs) “to allow the parties and the court to gain an early, initial understanding of the compensatory damages theories at issue, any preliminary supporting damages evidence, the potential settlement value of the case, and the scope of potential damages discovery.” The WG9 Commentary addresses the situation where both either the patentee or the accused infringer rely on certain license agreements to support their respective positions, including in particular in connection with their PCDCs.¹⁹ WG9 states:

“A party asserting patent infringement should produce copies of all materials reasonably known to it that allegedly support its preliminary compensatory damages theories. This disclosure should be as complete as is reasonably possible and should include high-level documents in the party’s possession concerning: . . . comparable license agreements and royalty rates related to the patent at issue;”²⁰

This Working Group 10 Patent Litigation Discovery Best Practice 22 is directed at those license agreements that are not clearly relied upon by either party in their PCDCs, and thus on which there may be a reasonable dispute as to whether those licenses are discoverable. This Best Practice provides a process whereby any such dispute can be resolved in an orderly and timely manner.

This Best Practice recommendation to require a showing of “potential” relevance is not to be interpreted as imposing a broad obligation of production akin to the recently amended “reasonably calculated to lead to the discovery admissible evidence” standard of Rule 26(b). Nor is the production of any licenses by either party to be construed as an admissible that any license is in fact directly comparable to the licensing of the patents-in-suit at issue.

C. SOURCE CODE DISCOVERY

Best Practice 23 – In response to a reasonably tailored request and where the requesting party has shown that the production would be relevant and non-duplicative, and in accordance with any protective order entered into, source code should be produced in the format in which it is maintained by the producing party, and the production should include all supporting files and documentation such that an executable version of the program could be completed.

¹⁹ See The Sedona Conference, *Commentary on Patent Damages and Remedies* (June 2014, public comment version), at Ch. III (Pretrial), 38–39, available at <https://thesedonaconference.org/download-pub/3827> (last visited Oct. 27, 2014):

- Best Practice 8: “The party alleging patent infringement should produce to each opposing party, or identify for inspection and copying, all materials supporting its PCDCs theories of recovery.”
- Best Practice 10: “Each party accused of patent infringement should produce to the party asserting infringement, or identify for inspection and copying, all materials supporting its preliminary response to the PCDCs theories of recovery.
 - a. That information should include information about . . . what royalties are paid for licenses to those patents”

²⁰ *Id.* at 38.

Best Practice 24 – When maintained in a version control system, the production of source code should include the revision history of the relevant code. Without the need for further discovery requests, the producing party should make available any changes or updates to portions of the source code relevant to the dispute that occur during the discovery period. The scope of the source code requested and produced should match the scope of the accused products.

Source code is often the most sensitive and confidential material in a producing party's possession, and may simultaneously be the most relevant evidence with respect to infringement of a particular patent. Any production of source code should strike a balance that recognizes both the sensitive nature of the material itself and the importance of that information to the ultimate issue of infringement. Thus, source code should only be produced where the requesting party is able to show that it is actually relevant to the infringement theories advanced against a particular instrumentality. Production of source code should be prevented entirely where the requesting party fails to make a showing that the production would be relevant and non-duplicative.

It is likewise important that any production of source code be made available in a format that is usable by the requesting party. A producing party should not be able to frustrate discovery by making its source code available only in non-native formats, in uncompileable segments, or without supporting documentation or files necessary to understand the underlying code. Similarly, the parties should recognize that the most efficient way to explain the maintenance and file structure of any produced code may be through the deposition of a custodial witness capable of explaining any revision control processes in place.

D. DISCOVERY OF PROSECUTION OF RELATED PATENTS

Best Practice 25 – Discovery into the prosecution of patents and applications related to the patents-in-suit should be limited to non-publicly available information within the custody or control of the producing party.

The prosecution of patents and applications directly related to any patent-in-suit often provide discovery relevant to claim construction. Positions that a patentee has taken with respect to the scope of a particular term or claim common to multiple applications may form the basis for arguments of disclaimer or estoppel in either parent or child applications. This relevance, however, should not unduly burden a patentee to collect information that is equally available to the requesting party from publicly available sources, nor should it place an obligation on a producing party to obtain materials that are outside of its custody or control at the time a request is made. It is recognized that at times foreign patent prosecution files are difficult for a non-patentee to obtain. In such situations where the patent owner already has a copy of the file, then the patent owner should be obligated to produce such copy.

For the purposes of this subsection, related patents and applications include only family members and foreign counterparts, absent a showing that a particular non-family patent or application is relevant to the proceedings.

E. DISCOVERY OF REAL PARTIES-IN-INTEREST

There has been much discussion in recent patent reform legislation proposals about the need for consistent discovery at the early stages of litigation regarding who the real parties-in-interest are in the litigation. A consistent feature of bills pending before Congress is a requirement that the patentee provide information regarding the assignee of the patents, who has the right to sublicense, who has a specified financial interest in

the patents or the plaintiffs, and an identification of the parent of such assignees or entity. Working Group 10 agrees that such requirements provide important information to accused infringers, and that the information should be provided as part of the patentee's initial disclosures. This information is potentially relevant to issues of potential conflicts, prior licenses that might exist, sources of discovery, necessary limits on the scope of the protective order, motives for the litigation, settlement, and Section 285 awards. "Specified financial interest in the patent" is meant to broadly capture any entity that stands to receive, directly or indirectly, a designated portion of any money received as a result of the action, be it by license, settlement, or judgment. "Specified financial interest in the ... plaintiff" is not intended to encompass individual minority stock holders of publicly traded institutions.

It is likewise important for the patentee to know the identity of any non-party who will be directing, controlling, or funding the defense of the litigation. This information would be important to at least identify any estoppel issues either in the district court litigation context, or in the context of any parallel *inter partes* review or post-grant review proceedings. If a "real party-in-interest" disclosure requirement is to be imposed on the patentee, it is fair to impose this converse requirement upon the accused infringer for the same types of reasons plus the potential impact of any indemnification obligations.

F. REQUESTS FOR DOCUMENTS FROM OTHER LITIGATIONS

Best Practice 26 – Broad discovery requests seeking all documents from a prior, related litigation should typically be disallowed. However, discovery requests directed to particularized documents from a prior litigation should be allowed where materiality is shown for such documents that outweighs the burden for their production.

A common dispute in patent litigation centers on discovery of documents from prior, related litigations. Such related litigations could be other actions where the patent-in-suit, or a patent from the same family, is asserted. Such related litigation could also include actions where the same accused product was asserted to infringe another patent. While focused discovery from such actions could be allowable, unlimited requests such as "all documents" or "all depositions" are overly broad and overly burdensome.

Instead, the parties should work together to identify focused materials from the prior litigation that are of particular significance to the current action. For example, prior depositions of the inventors in earlier actions involving the patent-in-suit, or a patent from the same patent family, would likely be highly relevant to the current action. Likewise prior 30(b)(6) depositions of the accused infringer related to how the same accused product was made would likely to be of high relevance to the current action. The parties, and ultimately the court, should consider, as to each particularized type of document sought, whether the relevance of the documents outweigh the burden of their production. Relevant factors to consider may include the extent to which the documents are subject to a protective order in the prior litigation, the difficulty of identifying and redacting the third-party confidential information within an expert report or deposition transcript, and whether the document is of a nature that is expected to provide substantive evidence relevant to the merits of the case.

G. OBTAINING SAMPLES OF THE ACCUSED PRODUCTS

Best Practice 27 – Accused infringers should make samples of accused products available to patentees at early stages in litigation where (a) the products for which samples are sought are identified with particularity, (b) the patentee is not able to obtain samples without undue burden, (c) the accused infringer is able to obtain samples without undue burden, (d) appropriate confidentiality restrictions are in place, and (e) the patentee has stated a good faith basis upon which to accuse the particular products for which samples are sought of infringement.

Best Practice 28 – If the patentee is not able to obtain samples without undue burden, production of the samples may still be appropriate if the patentee agrees to compensate the accused infringer for all costs associated with obtaining the sample. In instances where the cost associated with obtaining the sample is so high that it cannot be reasonably compensated, it may be appropriate to disallow discovery of samples.

Best Practice 29 – Accused infringers should not be required to make samples available to patentees of products for which no charge of infringement has been made, unless the patentee can demonstrate a substantial likelihood that production of the sample will lead to discovery of further infringing products.

Discovery of samples of an accused product can often raise significant discovery disputes in patent litigation. For accused products that are readily available for purchase, this will likely not be an issue. Consider, however, claims directed to products that are involved in chemical reactions, or that are intermediate products in manufacturing processes. While providing samples can normally be done without undue expense, instances can arise where the expense can become quite extreme. For example, if providing samples would involve shutting down a reactor with extreme shut-down and startup costs, it could likely be the case that such sample discovery is prohibitively burdensome. Moreover, it may be the case that a product is so scarce that providing a sufficient sample would mean that some end user(s) would not have access. This could be particularly problematic regarding medical treatments where denying access could result in severe health consequences.

The above best practices give guidelines for parties and courts to follow in ascertaining whether and how sample discovery should be permitted. Because of the unique case-by-case nature of sample discovery issues, no hard and fast rules can be applied. The parties should discuss the production of samples in good faith, and the accused infringer should produce a reasonable quantity of samples to the extent that such production is feasible. Instead, the factors a-e set forth in Best Practice 27 are provided to be balanced in arriving at a determination of whether sample discovery could be permitted.

In instances where undue burden would be involved in obtaining samples, it may be appropriate to allow the patentee to pay the costs for obtaining the sample, if the patentee is so inclined. But even then, instances may exist where the cost and burden is so high that it cannot be compensated by monetary payments from the requesting party, as set forth in Best Practice 28. Should a party, however, successfully object to producing a sample on the grounds of cost, the court should consider whether or not to prohibit that party from offering a sample into evidence at trial.

Best Practice 29 sets forth that sample discovery should not be conducted as part of a “fishing expedition.” If no charge of infringement has been made as to a particular product, sample discovery should not be had unless the patentee can demonstrate a substantial likelihood that production of the sample will lead to discovery of further infringing products.

H. FEE SHIFTING FOR DISCOVERY

Best Practice 30 – If the discovery being requested is beyond the permissible scope, it should be disallowed. Fee shifting should not be used to grant access to discovery that is not otherwise permissible.

Best Practice 31 – The court should consider shifting the cost of discovery where the cost of the discovery being sought is disproportionate to the size of the dispute.

Some patent reform legislation currently pending before Congress provides for certain core discovery in patent cases, and then only permits additional discovery if the party seeking discovery is obligated to pay the producing party’s fees. While WG10 agrees with the concept of reducing the cost of discovery in patent cases, WG10 feels that such legislation may take the matter too far. Instead, district courts have already developed a framework for fee shifting in the context of electronic discovery with various factors for assessing when the costs are high and the potential benefits are low. The *Zubulake*²¹ or *Rowe*²² decisions are seminal cases setting forth such frameworks. In the view of WG10, these frameworks are equally suitable for assessing when fee shifting is appropriate in paper-based discovery contexts as well. One of the factors the court should consider when shifting the costs of discovery is where the cost of discovery being sought is disproportionate to the size of the dispute.

Fee shifting, however, should not be a substitute for the requesting party’s need to demonstrate the relevance of the information sought and the likelihood that it exists in the location or sources at issue. For example, a requesting party should not be able to obtain discovery of otherwise non-discoverable information just by offering to pay for the expense that the producing party would incur in making the production.

I. PROPORTIONALITY LIMITS ON DISCOVERY

As stated in Principle No. 1 above: “Discovery should be proportionate with the overall nature of the dispute, including factors such as the number of patents or patent families asserted, complexity of the technology involved, the number of accused products involved, the past damages or future value (either monetary or injunctive) of a specific patent litigation, and the importance of the discovery in resolving the issues.”

Best Practice 32 – Consistent with the proposed amendments to the Federal Rules of Civil Procedure, discovery should 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

²¹ *Zubulake v. UBS Warburg, LLC*, 216 F.R.D. 280, 284 (S.D.N.Y. 2003).

²² *Rowe Entm’t, Inc. v. The William Morris Agency Inc.*, 205 F.R.D. 421, 429 (S.D.N.Y. 2002).

resolving the issues, and whether the burden or expense of the proposed discovery outweighs its likely benefit.”²³

Best Practice 33 – The discovery which will typically be most important in resolving the issues in patent cases includes (1) documents sufficient to evidence each discussion with, disclosure to, or other manner of providing to a third party, or sale of or offer to sell, the claimed invention prior to the date of application for the patent-in-suit; (2) documents evidencing the conception, reduction to practice, design, and development of each claimed invention; (3) the file history for each patent-in-suit; (4) samples of the accused products and documents evidencing their design and/or the method of their manufacture; (5) documents sufficient to evidence the revenue and profit generated by sales of the accused products; (6) documents relating to knowledge of the patent-in-suit by the accused infringer; and (7) documents supporting or refuting invalidity defenses (e.g., allegedly invalidating prior art).

Best Practice 34 – Discovery of email communications should focus on the issues for which email is likely to be a source of relevant information, and should likewise be permitted only in proportion to the needs and importance of the matter. For example, email communication unrelated to the actual conception and reduction to practice of the claimed inventions or to knowledge of the patent-in-suit (where disputed) may be less important to resolving the issues in a patent case, and their production may not be financially justifiable.

These Best Practices and the ones that follow in the next section are directed to a proportionality inquiry, as set forth in the proposed changes to the Federal Rules of Civil Procedure, and to potential limitations on discovery where it is established that the amount in controversy is relatively low. The particular categories of discovery identified are those often exchanged early in the case in conjunction with local rules or as part of initial disclosures. In all cases the parties and the courts should focus discovery on the location of the most relevant information for the case at hand.

The need to consider proportionality may be greatest in the area of electronic discovery. Electronic discovery in general, and email discovery in particular, are often the source of great expense in patent matters. Courts and parties should take into account issues of proportionality in considering the extent of email discovery that will be permitted. For example, in patent matters of lesser importance, it may be the case that only email discovery related to the actual conception and reduction to practice of the claimed inventions or to knowledge of the patent-in-suit is permitted. However, where a particularized showing of a need for email discovery is made as to other issues (including but not limited to specific identified issues related to indirect infringement, customer contact, on-sale bars, or subjective intent to prove willful infringement), further discovery may be permitted depending upon the relative importance of the matter.

²³ See <http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Reports/ST09-2014.pdf>, at Appendix B, starting at page 75 (last visited Oct. 27, 2014). The proposed changes would become effective December 1, 2015, if approved without revision.

J. TIERED DISCOVERY BASED UPON THE COMPLEXITY OF A CASE

Best Practice 35 – If the accused infringer demonstrates that the amount in controversy or the value of any injunctive relief, if available, is small, then discovery should be more limited.

Where the accused infringer demonstrates that the amount in controversy or the value of any injunctive relief, if available, is small, until either party establishes that additional discovery is both necessary and appropriate given the amount in controversy, discovery should be limited to:

- Documents sufficient to evidence each discussion with, disclosure to, or other manner of providing to a third party, or sale of or offer to sell, the claimed invention prior to the date of application for the patent-in-suit;
- Documents evidencing the conception, reduction to practice, design, and development of each claimed invention;
- The file history for each patent-in-suit;
- Samples of the accused products and documents evidencing their design and/or the method of their manufacture;
- Documents sufficient to evidence the revenue and profit generated by sales of the accused products;
- Documents evidencing knowledge of the patent-in-suit by the accused infringer; and
- Documents supporting or refuting invalidity defenses (e.g., allegedly invalidating prior art).

The “amount in controversy” is not a measure of the sales revenue of the accused product. Rather, the consideration is the amount that may be recoverable in damages. In that regard, one consideration might be whether the accused product is at its early stage of commercial introduction.

VII. *Depositions*

A. **30(B)(6) DEPOSITIONS**

Best Practice 36 – The responsibility of a designated Fed. R. Civ. P. 30(b)(6) corporate representative in a patent case extends beyond that individual’s personal knowledge. The witness’s preparation should include reasonably diligent efforts to learn relevant information known to the corporation that would be responsive to questions on each noticed 30(b)(6) topic that can be reasonably anticipated.

It is generally not possible for a corporate representative to have perfect knowledge of everything that might be “known” to the corporation on a particular topic, or to anticipate and prepare to answer every question the opposing counsel might ask.²⁴ This is especially true for corporations with significant R&D or engineering departments. This can be a major problem where the technology is more complex and involves a variety of different disciplines and a multitude of different people working on the project.

The presenting party, its counsel, and its designated representative, however, have an obligation to use reasonable diligence in anticipating the likely scope of questioning and in locating and assimilating available relevant information to prepare the representative to testify on the topic or topics for which the representative is designated. Reasonable diligence does not require interviewing every possible source or reviewing every relevant document, but it does require gathering relevant information that is not cumulative of information already known to the representative from those individuals who are most likely to have such information, and reviewing the documents most likely to contain such information.

Since what questions may be reasonably anticipated will depend on how specifically the topic is stated, the noticing party also has a role in assuring that preparation will be adequate and the deposition will be productive, by drafting the topics to be relevant and reasonably specific in scope so that the deposed party does not have to speculate about what preparation will be required. The goal of the Rule 30(b)(6) deposition should be to gather information that is relevant or reasonably likely to lead to the discovery of admissible evidence; not to “catch” the corporate deponent in a failure to prepare because it guessed wrong about the intended scope.

Where a corporate representative who was otherwise diligent in preparing for the deposition nevertheless does not know or does not recall relevant and responsive information that is within the knowledge of the corporation, a rule of reason should be applied in determining the appropriate next steps. A further deposition is not always needed and should not be insisted upon if less expensive means would be sufficient. The parties are encouraged to agree upon a method of supplementation that is reasonable in light of the nature and extent of the information involved, whether the time limit for the deposition had been reached, and whether it is reasonably likely that the additional information, if available at the time of the deposition, would have prompted follow-up questions. If the additional information is relatively discrete and not likely to lead to additional questions, then written supplementation under oath may be sufficient. On the other hand, if the information would reasonably have given rise to additional questions, and if the deposing attorney did not

²⁴ It should be noted that there is no obligation to present the “most knowledgeable person” on the topic so long as the witness’s preparation includes assimilating the information known to those who are “knowledgeable.” Conversely, simply presenting the “most knowledgeable person” to testify on a topic, without conducting the preparation necessary to supplement that person’s knowledge with information known to others in the corporation, or contained within the corporation’s records, is not sufficient to meet the party’s Rule 30(b)(6) obligation.

exhaust the time available for the deposition, then a second deposition focused on the supplemental information and reasonable follow-up directly related to that information may be the most appropriate choice.

Best Practice 37 – The corporate representative need not commit to memory the contents of all documents that contain relevant information responsive to the topic on which the representative has been designated, but should be prepared to identify with reasonable specificity the types of documents in which responsive information can be found, and to respond to questions about documents shown to the witness insofar as they can be reasonably anticipated.

Most patent litigation involves the production of large numbers of corporate records, the contents of which are theoretically “known” to the corporation. The obligation to prepare adequately for a Rule 30(b)(6) deposition does not require the corporate representative to find and review, let alone memorize the contents of, all documents that might be relevant and responsive to a particular topic. He or she should, however, review the principal documents that contain information relevant and responsive to the types of questions that the witness and counsel can reasonably anticipate may be asked. The witness should also be prepared to identify the types of documents maintained by the corporation in which relevant and responsive information may be located, and should be prepared to state whether those documents have been produced in discovery. It is expected that counsel will assist in locating and identifying these documents for the witness’s review, but the witness should also participate actively in identifying other sources of relevant and responsive information that might have been missed by or unknown to counsel.

Best Practice 38 – Counsel taking the deposition may inquire about the sources from whom relevant and responsive information was gathered, and the content of the information obtained from each source, even if the information was gathered by counsel rather than directly by the corporate representative. The witness, however, need only testify to the underlying facts and should not be required to answer questions seeking to elicit information about which information was gathered by counsel rather than directly by the witness.

The boundaries of privilege in preparing for and responding to a Rule 30(b)(6) deposition notice are unclear. The goal is to provide sufficient information about the preparation to enable opposing counsel to ascertain that the preparation was adequate and fairly reflects the knowledge of the corporation on the designated topic, without straying into the confines of attorney-client communications or the attorney’s case strategy and mental impressions. This Best Practice balances those competing considerations by requiring the witness to identify the sources from whom the information was gathered and the factual content of their information, but not about counsel’s role in gathering and conveying that information to the witness. In general, however, to avoid confusion and inadvertent waiver of privilege and work product immunities, the best practice would be to have the witness gather information directly to the extent practicable.

Best Practice 39 – The corporate representative need not memorize or produce a list of all documents reviewed, so long as any such documents reviewed by the witness and responsive to a timely served request for production of documents have been produced to the deposing party prior to the deposition. However, deposing counsel may inquire of the corporate representative what documents he or she recalls reviewing to prepare for the deposition.

The obligation to prepare adequately for a Rule 30(b)(6) deposition does not require the witness to memorize or generate a log of all documents reviewed, assuming that the presenting party did not withhold or fail to produce documents reviewed by the witness that were the subject of a timely request for production in advance of the deposition. Deposing counsel may ask the witness what documents he or she recalls reviewing to prepare for the deposition, even if the documents were provided to the witness by counsel, because the extent of preparation for the deposition and the documentation of facts conveyed by the witness are legitimate inquiries of a corporate representative and not precluded by the attorney-client privilege or the attorney work product doctrine. On the other hand, deposing counsel should not inquire into which specific documents, if any, were identified or provided to and discussed with the witness by counsel, as such an inquiry would invade the privilege.

Best Practice 40 – Counsel should refrain from using privileged documents to prepare a corporate representative for a Rule 30(b)(6) deposition.

Some courts have held that if a corporate representative testifies about information gathered from the witness's review of a document withheld from discovery on privilege or work product grounds, those objections are waived and the document must be produced. Therefore, it is best practice to avoid using privileged documents to prepare a corporate representative to testify. The question arises, however, how to prepare the witness adequately when the only source of facts that are otherwise relevant and responsive appears to be a privileged document.

This could arise, for example, in a case involving an older patent where the business records about the invention are no longer available and the inventor is either no longer alive or no longer remembers relevant facts about the inventive process, but the internally-maintained file history contains a contemporaneous communication from the inventor to the prosecuting attorney. The question arises whether the corporate representative (perhaps the inventor herself) then has an affirmative obligation to review that document to prepare for the deposition, and if so, whether the document should then be produced to the opposing party. The case law does not offer a clear answer. In such a case, the best practice would be, first, to make every effort to find a non-privileged source of the same information. Failing that, and if counsel is persuaded the information is reliable, relevant, responsive, and non-cumulative, the witness should be provided the facts but not the document, with counsel taking care to withhold any opinions or characterizations expressed by either the author or the recipient of the privileged document. The document itself should be identified on a privilege log, but if deposing counsel seeks production of the document, a redacted copy may need to be produced, ideally subject to a stipulation by all parties that the production will not be deemed to waive the privilege or work product immunity for the remainder of the document or the subject matter to which it refers.

B. MINIMIZING DISPUTES AND DELAYS ASSOCIATED WITH DEPOSITIONS

Best Practice 41 – In general, a Rule 30(b)(6) deposition should not be used to inquire into the opposing party's contentions regarding substantive positions such as patent infringement, patent validity, willful infringement, or inequitable conduct.

Generally speaking, inquiry into contentions (whether issued as required infringement or invalidity contentions or as responses to interrogatories) is better conducted by interrogatory. This is particularly true where the only way to provide a complete response would require knowledge of an opposing party's confidential information (e.g., the basis for a contention that the accused infringer's conduct was willful), is integrally intertwined with legal analysis (e.g., the basis for a contention that the patent is invalid), will be the subject of expert analysis and report (e.g., the basis for a contention that the accused product infringes the patent). Indeed, in many if not all of these situations, full and complete testimony would in significant part

require testimony by counsel or information that could only be gathered from counsel, thereby necessarily implicating opinion work product.

This best practice, however, should not be invoked by a party to improperly withhold facts upon which it intends to rely to support its contentions. Underlying facts that are within the knowledge of the party, such as those underlying a party's position on secondary considerations of nonobviousness or the structure or function of its product upon which it relies to distinguish the patented invention, are properly discoverable and should be disclosed. Moreover, a party should not hide behind this best practice to withhold the deposition of a company employee whom it intends to call at trial to testify on the very topic sought in the opposing party's Rule 30(b)(6) notice.

Best Practice 42 – In general, a Rule 30(b)(6) deposition should not be used to inquire into the opposing party's discovery process absent a threshold showing that significant relevant, non-cumulative information has been withheld or overlooked, and that other, less invasive means of inquiry would be insufficient.

As with depositions that seek to inquire into the parties' contentions, Rule 30(b)(6) depositions that seek to inquire into the opposing party's discovery process present significant risk of intrusion into areas protected by the attorney-client privilege and the work product immunity. In addition, such depositions are often mere fishing expeditions, trolling for opportunities to second-guess the producing party's diligence, but without any specific reason to believe important, relevant, non-cumulative information has been overlooked or withheld. Accordingly, this Best Practice urges that such depositions be denied unless the party seeking the deposition can both show that it has specific reason to believe the producing party failed to take reasonably diligent steps to respond to discovery, and that other means of investigating those concerns, such as by interrogatory or follow-up requests for production, are inadequate.

Best Practice 43 – The parties should communicate about the prioritization and pace of document production and should cooperate in scheduling depositions to allow adequate time for the production of relevant documents in response to timely requests for production. In general, productions of any substantial volume less than five business days before a deposition to which they relate would not be in keeping with this Best Practice.

Parties often complain about the disruption caused by their opponents when significant numbers of documents that are clearly relevant to an upcoming deposition are "dumped" on counsel shortly before the deposition, forcing counsel to make the difficult decision whether to postpone the deposition, likely imposing delays and added costs, or to proceed and risk neglecting an important line of questioning that would have been aided by the documents. A party should not attempt to delay a deposition or to disrupt or undermine opposing counsel's preparation by producing relevant documents so near the date of the deposition that counsel does not have a reasonable time to incorporate them in his or her preparation.

On the other hand, it is rare if ever that a corporate party in a patent case is able to locate, review, and produce all relevant and responsive documents within 30 days of receiving an exhaustive Rule 34 request for production of documents. In almost all cases, the parties must plan on a rolling production. Accordingly, the parties should communicate early about a reasonable schedule for the production of documents and identify if possible which documents to focus on first in light of the anticipated deposition schedule. If for some reason a party realizes that despite its best efforts it will not be able to meet that schedule for production, it should notify the requesting party as soon as possible so that the deposition schedule can be adjusted to avoid the disruption of a last minute "document dump." To allow for the exchange of timely and complete

infringement and validity contentions, and minimize the need for amendments, it benefits all parties if relevant documents are produced in a timely manner.

This Best Practice does not address whether the presenting party is required to produce documents reviewed in preparation for the deposition (because they are potentially relevant and responsive to the topic) that were not covered by and therefore not produced in response to a prior request for production of documents. In general, there should be no obligation to produce such documents; if the existence and relevance of the documents comes to light during a deposition, the noticing party can follow up with a proper Rule 34 request.

VIII. Discovery Disputes

A. PROCEDURES FOR RAISING AND RESOLVING DISCOVERY DISPUTES

As stated in Principle No. 4 above: “Where appropriate and necessary, courts should seek to resolve discovery disputes expeditiously and should use some form of gating function to determine which disputes truly require formal motion practice.”

Best Practice 44 – As part of the Rule 26(f) conference, parties should discuss whether to raise with the court suggested expedited or simplified procedures for raising and resolving discovery disputes, and whether such procedures should be included in the discovery plan.

Best Practice 45 – Upon request by the parties or otherwise and in the proper case, the court should consider including expedited or simplified procedures for raising and resolving at least some discovery disputes in its Rule 16(b) scheduling order.

Early consideration by the parties of simplified discovery procedures and the inclusion of those procedures in the scheduling order ensures that the parties and the court consider these issues well before the first dispute arises. Feedback from both the bench and bar suggest that the involvement of more senior team members improves the quality of Rule 26(f) meetings and improves the ability of the parties to resolve disputes. Of particular importance is the involvement of partners or lawyers with adequate experience to find and appreciate a practical solution and the authority to resolve the disputes. The involvement of decision-makers, regardless of whether they are actually taking the lead in the conversations, is critical. Notably, the Working Group does not recommend the requirement of face-to-face meetings, which can be quite cost-prohibitive given the national nature of most patent litigation practices. The Working Group, however, does recommend that as a best practice opposing counsel speak directly to one another, as opposed to simply exchanging letters which often include a significant amount of posturing.

Specific procedures to consider include (a) a requirement that a lead counsel or designated discovery partner participate in all conferences under Rule 26(f); (b) regularly scheduled discovery calls; (c) the use of a special master or magistrate; (d) simplified procedures for handling motions to compel;²⁵ (e) the resolution of discovery disputes by letter briefing; and (f) simplified procedures for obtaining the court’s involvement in resolving disputes that arise during depositions.

Involvement of the court in Rule 26(f) meetings or regularly scheduled discovery calls, where possible, may also encourage parties to take less extreme positions and lead to prompt and early resolution of disputes. Supervision tends to moderate behavior. The availability of the court to resolve deposition issues in real time can also be important for encouraging compliance with the rules by all parties. Of course, the already limited judicial resources should not be overtaxed. However, where judicial involvement leads to fewer disputes, and the earlier and easier resolution of disputes, then short of motion practice, the time spent by the court in attending Rule 26(f) calls may actually reduce the total amount of time the court has to spend supervising discovery disputes.

²⁵ Proposed FRCP 16(b)(3)(B)(v), if adopted, would authorize the court to “direct that before moving for an order relating to discovery the movant must request a conference with the court” as part of the pretrial scheduling order. This appears to represent Judicial Conference endorsement of the concept that motion practice can be reduced or avoided by early informal judicial involvement to resolve disputes.

The Working Group considered recommending jointly submitted reports of regular Rule 26(f) meetings, which the court or magistrate could then review as part of ruling on any later dispute. Of concern, however, is the cost of preparing such documents (leading to disputes over what was said and whether statements were fairly characterized) and the fear that, as when parties are exchanging letters regarding discovery disputes, the reports would become the source of significant posturing. A simple list or outline of topics discussed may be preferable.

B. LETTER SUBMISSIONS ON DISCOVERY DISPUTES

Best Practice 46 – Parties should consider asking the court to permit letter submissions on those issues on which the parties and the court agree that more formal briefing is unnecessary.

Parties should consider asking the court to permit letter submissions on those issues on which the parties and the court agree that more formal briefing is unnecessary. Where permitted, the movant should serve and file a letter submission or brief to which the non-movant must respond in a shortened time frame (e.g., 5-7 days). If a prompt resolution to the motion is necessary to avoid delaying the litigation (e.g., by delaying depositions until the motion is resolved, potentially requiring a need to extend the close of discovery), the movant should expressly state this in the letter brief, identifying all relevant dates.

Because letter submissions or briefs are designed to be a more simplified and expedited approach to handling discovery disputes, the length of any opening or responsive letter brief should be limited to three pages and this limit should not be circumvented by the inclusion of extensive attachments. Lead counsel or the designated discovery partner for each party should sign the letter, in accordance with their standard professional responsibility obligations.

C. SANCTIONS FOR FAILURE TO PRODUCE DISCOVERY

As stated in Principle No. 6 above: “If a party’s or attorney’s conduct during discovery warrants fee shifting or sanctions, the court should consider appropriate monetary or evidentiary sanctions against the party or counsel to remedy, deter, or punish such conduct.”

Where appropriate, the court should utilize the sanctions provided in Fed. R. Civ. P. 37 to achieve the goal that the parties obtain disclosure of evidence determined to be discoverable in the controversy in a timely manner. The sanction imposed should be tailored to the particular discovery conduct at issue, taking into account factors such as (a) the nature and importance of the evidence sought, (b) the prejudice to the non-sanctioned party, (c) the actions and fault of the party for which sanctioned are being considered, and (d) the availability of lesser sanctions. When a party seeks to frustrate its discovery obligations by disobeying discovery orders, thereby preventing disclosure of facts essential to the adjudication on the merits, severe sanctions should be considered. Monetary sanctions against an attorney for advising a disobedient party should be considered where it is apparent that the attorney played a role in the disobedience and the attorney lacks a valid excuse or explanation for his actions or inaction.

The above is stated in the context of a failure to produce discovery or disobedience to a district court’s discovery order, but applies equally to abuses done for the purposes of delay. Often, the primary vehicle for delay is either failing to produce documents in a timely manner or failing to do so in compliance with a court order. Ideally parties and their lawyers can conduct themselves in a manner that does not warrant sanctions. The unfortunate reality, however, is that parties or their lawyers are sometimes dilatory or noncompliant with

their discovery obligation, and sanctions can serve as the only means to ensure that discovery is had so that justice may be properly administered in a case.

Where one party refuses proposed simplified procedures and forces complete briefing while advocating a manifestly unreasonable position, sanctions should be more seriously considered. An amenability to simplified procedures on the part of the party refusing to produce, on the other hand, should be viewed favorably in a sanctions determination.

One of the more difficult issues to address in awarding sanctions is the question of whether sanctions should be imposed on the lawyers as opposed to the parties. The attorney-client privilege often makes it difficult to ascertain who was actually at fault. This precise question also gives rise to ethics issues for the lawyer because the interests of the lawyer can become at odds here with that of the client. Likewise, lawyers in the midst of a discovery dispute may find that they were misled by the client and that a document that the lawyers filed and signed contains a material misstatement of fact potentially warranting correction. Lawyers should consult ethics rules and ethics counsel in any such circumstance. In any event, it is often still possible to ascertain from the circumstances whether the lawyer played a role in any noncompliance and lacks a valid excuse, and when this is the case, monetary sanctions should be considered against the lawyer the law firm as well.

D. PURSUIT OF DISCOVERY SANCTIONS SHOULD NOT BE ROUTINE

As stated in Principle 5 above: “Discovery sanctions should not be routine and should not be pursued by a party in a manner that overshadows the substantive issues in the case. Routinely seeking discovery sanctions, or conducting discovery in a manner primarily aimed at “catching” your opponent in a discovery error is not an efficient use of client or judicial resources.”

One goal of WG10 is to provide parties in patent litigation with focused guidance on the types of discovery that should be permitted in patent cases, and to place reasonable limits on that discovery to better control the costs of patent litigation. It is expected that, with this guidance and narrowed focus in hand, parties will be in a better position to comply with their discovery obligations.

While sanctions for non-compliance may be appropriate in some instances as discussed above, such sanctions should not be routine. Patent litigants sometimes pursue discovery sanctions as an end to themselves, with this pursuit taking priority to the legitimate resolution of the substantive issues in the case. Such conduct should be discouraged. Patent litigation should not be pursued with the goal of obtaining discovery sanctions by catching ones opponent in a discovery error, and then over-dramatizing that error to the court. Pursuing discovery sanctions in this manner in patent cases may, itself, be viewed as misconduct warranting redress by the court.

With the further guidance provided by these Best Practices, it is expected that parties will have a better understanding of their discovery obligations, and will be better able to conduct themselves accordingly. Moreover, because of the focus on narrowing discovery issues in these Best Practices, it is expected that both parties’ discovery burdens will likewise be reduced. This should reduce the need for discovery sanctions to enforce compliance with these obligations.

IX. Privilege

A. COMMUNICATIONS WITH FOREIGN AND DOMESTIC PATENT AGENTS

Best Practice 47 – Prior to litigation, parties should affirmatively treat communications with foreign and domestic patent attorneys and agents that provide legal support as privileged. Once litigation begins, parties should agree that such communications are protected and are not discoverable.

The attorney-client privilege protects the confidentiality of communications between attorney and client made for the purpose of obtaining legal advice, and encompasses the attorney's thought processes and legal recommendations. Whether the attorney-client privilege applies depends on the facts and circumstances of a particular case. Whether the person is a patent attorney or a patent agent, the protection for the communications should be treated the same. This protection should apply as to potential and actual litigation matters. Also where the courts provide for protection for attorney-client communications with respect to patent prosecution matters, the same protection should apply as to patent agents. The references here to patent attorneys and patent agents include those properly holding such positions under the laws of their country.

B. DEPOSITIONS

Best Practice 48 – Counsel should agree that no party will inquire about what documents a witness was shown by counsel during deposition preparation. The parties should agree, however, to allow questioning sufficient to determine whether any non-privileged documents shown to the witness have not been produced to the questioning party in the litigation.

The privileged communications between counsel and the witness in preparing for a deposition should not be to be indirectly pierced by opposing counsel seeking information about the documents discussed between counsel and client. However, since an attorney should not be using documents to prepare a witness where the documents have not been produced, some degree of latitude must be provided to explore whether the documents utilized were produced to the questioning counsel.

Best Practice 49 – Counsel should negotiate the proper scope of inquiry in the deposition of a prosecuting attorney before the deposition. While the prosecuting attorney has an obligation to convey certain information to the USPTO, discussions with clients also involve a mix of legal advice regarding the nature and scope of protection that should be sought. Where possible, counsel should agree that the scope of the deposition will be limited to the facts relevant to prosecution of the patent, rather than the prosecuting attorney's mental impressions.

The prosecution attorney is more than just a mere conduit of information from the inventor to the PTO. Along the way, legal advice is provided as the nature and scope of protection to seek, the prior art that must be disclosed, and issues relating to potential infringement of the claims. Sometimes these lines are clear and easy to draw, but at times they are not. It is preferable for the parties to negotiate and agree on the scope of the discovery to be provided, and avoid having to take multiple issues to the court.

C. PRIVILEGE LOGS

Best Practice 50 – The parties should agree to provide a privilege log with sufficient particularity to allow the receiving party to reasonably challenge the asserted basis for any claim of privilege. However, repetitive document-by-document privilege logs may be unnecessary when adequate descriptions may apply to entire categories of documents withheld on the same basis.

A party that withholds responsive and relevant documents based on an assertion of privilege must describe the documents in a privilege log with sufficient detail so that the adversary will know whether to challenge the protection claim and seek production. The Federal Rules explicitly require such a description:

When a party withholds information otherwise discoverable under the Rules of Civil Procedure by claiming that it is privileged or subject to protection as trial preparation material, the party must make the claim expressly and must describe the nature of the documents, communications, or things not produced or disclosed in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the applicability of the privilege or protection.²⁶

Describing any given document with the requisite particularity, but without providing too much information about the contents of the document and thus risking a waiver of privilege, can be challenging. In a typical privilege log, for each document there are fields for the date, the sender, the recipients, and a description of the contents of the document sufficiently supporting the assertion of privilege. But, too often, the disclosure in privilege log entries amounts to “attorney-client privilege” or the variant “attorney-client privilege and/or work product.” This is not helpful and likely does not satisfy the Rule.

A proper description may read: “Smith to Jones, attorney-client privilege because it would tend to disclose a communication from Smith to Jones about the tax consequences of a merger.” Such a description provides opposing counsel the opportunity to evaluate the nature of the document in question.

Generating a compliant privilege log is typically a very time and labor-intensive process. Several courts have endorsed a strategy to streamline the privilege log by identifying documents by category.²⁷ If individual document-by-document entries on the privilege log would be entirely repetitive (and time-consuming to review and enter), one entry may be made to apply to an entire category, e.g., “35 memoranda by and between client and outside attorney regarding X topic, dated between A and B, in anticipation of litigation.” Since this may be considered a technical departure from Rule 26(b)(5)(A), agreement of the parties and signoff by the court, before executing the privilege log, is advised.

²⁶ See Fed. R. Civ. P. 26(b)(5).

²⁷ See John M. Facciola and Jonathan M. Redgrave, *Asserting and Challenging Privilege Claims in Modern Litigation: The Facciola-Redgrave Framework*, 4 Fed. Cts. L. Rev. 19 (2009).

Best Practice 51 – The parties should agree that absent bad faith or flagrant disregard of a party’s obligations, failure to prepare an adequate privilege log does not constitute a waiver of privilege for the communications on the privilege log. The appropriate sanction would be the awarding of costs and fees incurred by the receiving party in successfully obtaining relief from the court based on the inadequacy of a privilege log.

In some courts, a late, incomplete, or insufficient privilege log may trigger an order requiring disclosure of some or even all documents on the log, pointing either to a failure of proof or waiver.²⁸ A more appropriate sanction for failing to provide an adequate privilege log might include requiring payment of costs and attorneys’ fees incurred in enforcing the discovery. As discussed in Wright & Miller § 2016.1, “Draconian penalties should not readily be meted out to those found to have designated with inadequate specificity unless the court concludes they have acted in bad faith.”

The basic objective is a sufficient description of the matters withheld to satisfy the needs of the case; and rigid insistence on certain logging or indexing procedures may go well beyond that. This is particularly true in larger cases. Therefore, unless there has been a bad faith failure to comply with a reasonable identification effort, automatically finding a waiver of the privilege would be unduly harsh, as some courts have already recognized.²⁹

Instead, there is an inherent discretion provided for in Rule 26(b)(5) and explicitly granted in the Rule’s comment. Such discretion, taken in view of the history of a case vis-à-vis other disputes, favors a “second chance” approach to disclosing the privileged documents, while assessing costs to compensate for the preparing and pursuing of the meritorious motion to compel.

Best Practice 52 – The parties should agree that no privilege log entries are necessary for documents or communications that are not relevant under Fed. R. Civ. P. 26.

Privilege log entries should not be required for non-relevant documents under Fed. R. Civ. P. 26. Should a party object to a document request as non-relevant, it should not be required to list any privileged documents that fall under the non-relevant scope of the request.

In 2000, the Advisory Committee on Civil Rules recommended, and the Supreme Court prescribed, an amendment to Rule 26 of the Federal Rules of Civil Procedure changing the standard for discoverability. Parties were previously entitled to seek discovery of information that “was relevant to the ‘subject matter involved in the pending action.’” Now, the discovery must be “relevant to any party’s claim or defense.” While this amendment has not substantially diminished the liberal standards accorded to discovery requests, it was aimed at narrowing the scope of discovery in order “to address the rising costs and delay of discovery.”

²⁸ See, e.g., *In re Fannie Mae Secs. Litig.*, 552 F.3d 814, 823–24 (D.C. Cir. 2009) (OFHEO missed several discovery deadlines and, as a result, was held in contempt. The consequence of the contempt finding was, in essence, a limited waiver of privilege. Namely, the district court required the OFHEO to provide the actual documents to counsel for the defendant that were previously withheld because they were privileged and were not included in the privilege log by the final deadline.).

²⁹ See, e.g., *In re In-Store Adver. Sec. Litig.*, 163 F.R.D. 452, 456 (S.D.N.Y. 1995) (acknowledging that failure to comply with local rule requiring privilege log is generally “considered presumptive evidence that the claim of privilege is without factual or legal foundation” (quoting *Grossman v. Schwartz*, 125 F.R.D. 376, 386–87 (S.D.N.Y. 1989)), but finding that the failure in this case “is not flagrant enough to warrant full production of documents that likely contain some attorney opinion work product.”).

In the newly proposed amendments to Rule 26, the Advisory Committee has proposed a narrower scope, limiting discovery to non-privileged matter than is relevant to a party's claim or defense and, inter alia, "proportional to the needs of the case...."

Best Practice 53 – The parties should agree that they need not provide a privilege log containing any communications from the date that the complaint in the litigation was filed.

After commencement of the litigation, there is normally no legitimate reason to doubt that the communications between the attorney and client are protected by privilege. In such situations a requirement to log such documents would be unnecessarily burdensome. The parties should discuss this issue and determine if they agree to forego logging such communications. Where there are multiple or overlapping litigations between the same parties or involving the same patent(s), the parties should discuss and agree that no privilege log is required for any communications from the date of the complaint in the earliest of these lawsuits absent a specific need.

Best Practice 54 – At the beginning of discovery, the parties should negotiate a deadline for completion of privilege logs that is a reasonable period of time after their respective productions are substantially complete.

The timing of the exchange of privilege logs is often both a contentious and impactful issue in patent litigation. In general, it is advisable for parties to seek to require the producing party to submit its privilege log as early as possible, with some counsel asking for rolling privilege logs to be submitted at the same time documents are produced. Documents designated on a privilege log are often the most compelling of all documents involved in the case, and the producing party is likely to err on the side of designating documents as privileged or as attorney work product. Critical and discoverable documents may simply never be produced if they can be effectively "buried" in a late disclosed privilege log.

All too often, particularly in cases involving a large number of documents, the privilege log is submitted months after the document production is completed. Or, when documents are produced on a rolling basis, the privilege log is produced only after the final installment of the production. Deposition discovery, however, is typically ongoing during the pendency of the production, at a time when counsel is likely focused on reviewing the produced documents so that they can be effectively utilized in depositions and in consultation with experts. Faced with the size of this discovery task, and with the possibility of spending months reviewing the propriety of each entry of the privilege log, and with litigating the sufficiency and accuracy of the privilege log, the privilege log issues often lose out. The result is that discovery may be completed without having had the benefit of utilizing what may be the very best discovery in the case. Even if counsel does engage in the arduous task of litigating the propriety of the privilege log and ultimately discovers the documents, the time to use the documents in the fact discovery window may have expired.

To address these concerns, the Working Group's recommended Best Practice here is that the parties should negotiate, at the beginning of discovery, a deadline for completion of privilege logs that is a reasonable period of time after their respective productions are complete. Rule 26 itself "contemplates that the required notice and information is due upon a party withholding the claimed privileged material. Consequently . . . the producing party must provide the Rule 26(b)(5) notice and information at the time it was otherwise required to produce the documents."³⁰

³⁰ *First Savings Bank, F.S.B. v. First Bank System, Inc.*, 902 F.Supp. 1356, 1360 (D. Kan. 1995).

The Working Group, however, does not propose what should constitute such a “reasonable” period of time. What is “reasonable” may not be the same from case to case, or even for the respective parties in a particular case, and will depend upon the size and nature of each party’s respective document productions.

Appendix: The Sedona Conference Working Group Series & WGS Membership Program

**“DIALOGUE
DESIGNED
TO MOVE
THE LAW
FORWARD
IN A
REASONED
AND JUST
WAY.”**

The Sedona Conference Working Group Series (“WGS”) was established to pursue in-depth study of tipping point issues in the areas of antitrust law, complex litigation, and intellectual property rights. It represents the evolution of The Sedona Conference from a forum for advanced dialogue to an open think tank confronting some of the most challenging issues faced by our legal system today.

A Sedona Working Group is formed to create principles, guidelines, best practices, or other commentaries designed to be of immediate benefit to the bench and bar and to move the law forward in a reasoned and just way. Working Group output, when complete, is then put through a peer review process involving members of the entire Working Group Series including—where possible—critique at one of our regular season conferences, resulting in authoritative, meaningful and balanced final commentaries for publication and distribution.

The first Working Group was convened in October 2002 and was dedicated to the development of guidelines for electronic document retention and production. The impact of its first draft publication—The Sedona Principles: Best Practices Recommendations & Principles Addressing Electronic Document Production (March 2003 version)—was immediate and substantial. The Principles was cited in the Judicial Conference of the United States Advisory Committee on Civil Rules Discovery Subcommittee Report on Electronic Discovery less than a month after the publication of the “public comment” draft, and was cited in a seminal e-discovery decision of the United States District Court in New York less than a month after that. As noted in the June 2003 issue of *Pike & Fischer’s Digital Discovery and E-Evidence*, “The Principles ... influence is already becoming evident.”

The WGS Membership Program was established to provide a vehicle to allow any interested jurist, attorney, academic, consultant or expert to participate in WGS activities. Membership provides access to advance drafts of WGS output with the opportunity for early input, and discussion forums where current news and other matters of interest can be discussed. Members may also indicate their willingness to volunteer for brainstorming groups and drafting teams.

Visit the “Working Group Series” area of our website, www.thesedonaconference.org for further details on our Working Group Series and WGS membership.

The Sedona Conference was founded in 1997 by Richard Braman in pursuit of his vision to move the law forward in a reasoned and just way. Richard’s personal principles and beliefs became the guiding principles for The Sedona Conference: professionalism, civility, an open mind, respect for the beliefs of others, thoughtfulness, reflection, and a belief in a process based on civilized dialogue, not debate. Under Richard’s guidance, The Sedona Conference attracted leading jurists, attorneys, academics and experts who support the mission of the organization by their participation in WGS and contribute to moving the law forward in a reasoned and just way. After a long and courageous battle with cancer, Richard passed away on June 9, 2014, but not before seeing The Sedona Conference grow into the leading nonpartisan, nonprofit research and educational institute dedicated to the advanced study of law and policy in the areas of complex litigation, antitrust law, and intellectual property rights.