Report of the Local Patent Rules Committee

Explanatory Notes for 2016 Amendments

The Local Patent Rules were implemented in September 2008, and certain amendments to the Rules were adopted with the March 2011 revision to the Rules.

Over the course of the last ten months, the Local Patent Rules Advisory Committee has once again examined the operation of the Local Patent Rules and, consistent with past history, has found that the Rules generally are operating well, and provide a rational and reasonably efficient structure for the judicial administration, litigation and trial of patent matters in the District of New Jersey.

However, as a result of learning from experiences in operating under the Rules since they were last amended, certain issues have arisen that led to the Committee's consideration of possible modifications to the Rules. In order to balance and clarify certain issues, expedite issues for the Court and Magistrate Judges in particular, and attempt to enhance the overall pretrial process, the Committee considered several potential amendments to the Rules..

Committee Process-- Committee members identified issues of interest or potential amendments for consideration by the entire Committee . The Committee then identified the issues of highest order of priority. That process resulted in the appointment of subcommittees directed to each such issue. Each subcommittee investigated, examined and evaluated the issues, and determined whether an amendment or Rule revision was necessary.

The subcommittees then submitted reports to the Committee as a whole, and those reports and any potential amendments to the Rules were then discussed at length by the entire Committee. Ultimately, the Committee voted to approve certain amendments.

Amendments -- The following amendments were approved by the Board of Judges after submission by the Patent Rules Advisory Committee:

Rule 2.1(a)(6)- With respect to matters to be discussed for the purpose of preparing the Joint Discovery Plan for submission to a Magistrate Judge in advance of the initial Scheduling Conference, a new subpart is included that expands the topics to be discussed between the parties in order to expedite matters, and attempt to avoid more protracted disputes later in the discovery process (e.g., availability of invention records, product samples, whether there is a 30-month stay and when it ends). The Committee recommended encouraging a complete and thorough discussion of issues that need to be addressed by the Court at the initial Rule 26 conference.

Rule 2.2- The Committee recommended that the Discovery Confidentiality Order be submitted in 14 days rather than 30 days subsequent to the initial Scheduling Conference in an attempt to expedite the exchange of foundation discovery, which in many instances comprises commercially sensitive information.

Rules 3.3(d) (Invalidity Contentions) and 3.4A (Responses to Invalidity Contentions- This amendment would require a party asserting invalidity under Sec. 112 of the Patent Act to set forth the factual basis for that assertion, and would require the patent owner to respond with a detailed explanation of how the claim complies with Section 101 and 112.

Rule 3.6 (c) and (e)- With regard to Hatch-Waxman matters, the Committee recommended that the time for submission of invalidity and noninfringement contentions be extended from 14 days to 30 days from the date of the Scheduling Conference. The Committee concluded that the current 14-day period presented too compressed a schedule, and that the additional time for such submissions would not significantly impact overall case management, particularly in light of other changes under these Rules.

Rules 4.1 and 4.2 (Exchange of claim terms for construction)- Pursuant to this amendment, parties would be required to explain the meaning of "plain and ordinary" assigned to each claim term. The Committee determined that parties often rely on the Court to determine what the parties mean by that phrase. The Committee concluded that the Local Patent Rule should be amended to require a party to define its understanding of the phrase "plain and ordinary meaning" for each claim term for which that phrase is asserted.

In May 2016, the Committee submitted the proposed amendments to the Board of Judges for their consideration.

Local Patent Rules Advisory Committee

Hon. Stanley R Chesler, U.S.D.J., *Chair*
Hon. Jerome B. Simandle, U.S.D.J., Chief Judge, Ex officio
Hon. Patty Shwartz, U.S.C.J.
Hon. Mary L. Cooper, U.S.D.J.
Hon. Douglas E. Arpert, U.S.M.J.
Hon. Tonianne J. Bongiovanni, U.S.M.J.
Hon. Michael A. Hammer, U.S.M.J.
Hon. Lois H. Goodman, U.S.M.J.
Hon. Joel Schneider, U.S.M.J.
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REPORT

of the

LOCAL PATENT RULES ADVISORY COMMITTEE

May 2016

The Local Patent Rules were implemented in September 2008, and certain amendments to the Rules were adopted with the March 2011 revision to the Rules.

Over the course of the last ten months, the Local Patent Rules Advisory Committee has examined the operation of the Local Patent Rules and, consistent with past history, has found that the Rules generally are operating well, and provide a rational and reasonably efficient structure for the judicial administration, litigation and trial of patent matters.

However, we have learned from our further experiences in operating under the Rules since they were last amended. As a result, certain issues have arisen that led to the Committee's consideration of possible modifications to the Rules in order to balance and clarify certain issues, expedite issues for the Court and Magistrate Judges in particular, and attempt to enhance the overall pretrial process.

Committee Process-- Members of the Committee were asked to identify issues of interest or potential amendments so that the entire Committee could consider same. The Committee then met as a whole, which resulted in a winnowing process where the issues of highest order of priority were determined. That process resulted in the appointment of subcommittees directed to each such issue. Each subcommittee (usually composed of attorney members as well as Judges), met separately to further investigate, examine and evaluate the issue, and determine whether an amendment or Rule revision was necessary.

The subcommittees then submitted reports to the Committee as a whole, and those reports and any potential amendments to the Rules were then discussed at length at a meeting of the entire Committee. At that meeting, the Committee voted to approve certain amendments, and also determined that certain other issues were not required to be addressed at this time because the process, after further analysis, appeared to be working well as to those issues.

Proposed Amendments for consideration by the Board of Judges-- The Committee is pleased to report that each of the following proposed amendments were approved and adopted by the Committee. The following is a brief identification of the proposed amendments to the referenced Rules, followed by a more specific description of each for your consideration:

Rule 2.1(a)(6)- With respect to matters to be discussed for the purpose of preparing the Joint Discovery Plan for submission to a Magistrate Judge in advance of the initial Scheduling Conference, a new subpart is proposed that expands the topics to be discussed between the parties in order to expedite matters, and attempt to avoid more protracted disputes later in the discovery process (e.g., availability of invention records, product samples, whether there is a 30-month stay and when it ends, and scheduling order issues, etc.).

Rule 2.2- Requiring the Discovery Confidentiality Order to be submitted in 14 days rather than 30 days subsequent to the initial Scheduling Conference.

Rules 3.3(d) (Invalidity Contentions) and 3.4A (Responses to Invalidity Contentions- This amendment would require a party asserting invalidity under Sec. 112 of the Patent Act to set forth the factual basis for that assertion, and would require the patent owner to respond with a detailed explanation of how the claim complies with Section 101 and 112.

Rule 3.6 (c) and (e)- Modifies the obligation in Hatch-Waxman matters from 14 days to 30 days from the date of the Scheduling Conference within which a party must produce non-infringement and invalidity contentions.

Rules 4.1 and 4.2 (Exchange of claim terms for construction)- Parties would be required to explain the meaning of "plain and ordinary" assigned to each claim term.

The following provides further details regarding these proposed amendments as approved by the entire Committee. We look forward to the Board of Judges considering these proposals.

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Rule 2.1(a)(6) – Initial Scheduling Conference

Committee Statement- New subpart (6), set forth below, identifies a number of topics for discussion during the meet and confer process leading to the preparation of the Joint Discovery Plan for submission to the Magistrate Judge in advance of the initial Scheduling Conference. Many of the topics that are included in this proposed new provision have been the subject of separate discovery disputes, often later in the proceedings, and have many times led to delays in the resolution of the dispute, and delays in the pretrial schedule. For example, many disputes have arisen over the location and identification of inventor laboratory notebooks, delays in obtaining product samples, completion of document production dates, foreign witness availability, etc.

As everyone is aware, under the Local Civil Rules, the parties have an obligation to meet and confer in a good faith effort to attempt to resolve by agreement any discovery or other pretrial issue in advance of bringing a dispute to the Court. By requiring the parties to discuss these issues early in the process, the expectation is that the parties will attempt to satisfy their meet and confer obligations and potentially resolve some if not all of the issues. If they are unable to do so, the issues can be set forth in the Joint Discovery Plan and submitted to the Magistrate Judge for discussion and possible resolution at the initial Scheduling Conference, thereby expediting the entire process.

The parties may or may not agree during this process, but at least the topics will be discussed and possibly resolved, narrowed or more sharply defined for presentation to the Magistrate Judge. The practical, real world theory underlying this proposal is essentially, "how can it hurt to discuss these issues?"

Accordingly, this proposal was discussed, amended in Committee principally to accommodate certain concerns by a few members as to a single subpart, and then adopted by the Committee. The proposed Rule follows:

2.1 Governing Procedures

(a) Initial Scheduling Conference. When the parties confer pursuant to Fed. R. Civ. P. 26(f), the parties shall discuss and address in the Discovery Plan submitted pursuant to Fed. R. Civ. P. 26(f) and L. Civ. R. 26.1(b)(2) the topics set forth in those rules and the following topics:

. . .

(6) The availability and timing of production of invention records (including inventor laboratory notebooks and analytical test results);

The availability and timing of production of ANDA product research and development documents;

The availability and timing of production of ANDA product samples;

The date of conception and the date of reduction to practice for each patent asserted in the action;

Each inventor's availability for deposition in the matter;

Availability of foreign witnesses for deposition and foreign documents;

Whether there is a 30-month stay and if so, when it ends;

Whether the Judge in his/her discretion consistent with L. Pat. R. 1.3, should consider issuing a Scheduling Order that contains two dates for amendments under L. Pat. R. 3.7 and for adding parties, the first date of which shall be without the need for leave of Court, and second date for which amendments would be permitted only upon application to the Court under customary procedures;*[*]

A date for substantial completion of document production and a method for determining compliance;

Any other issues or matters that a party believes are time sensitive.

*** Inclusion of this item for discussion does not indicate any endorsement by the Committee of this procedure.**

The eighth item under proposed new subpart (6) relates to the parties having the opportunity to discuss whether to have two dates in the pretrial schedule to amend pleadings, contentions and to add parties, i.e., one date on which the parties would be freely able to do so without the need for formal motion practice, and a second date that would require compliance with customary procedures. The Chair has authorized the objectors to this single provision to submit a minority report on this issue.

From the Committee's perspective, and as presented by the subcommittee that proposed this amendment, it can be helpful to the efficiency of the pretrial process to discuss this type of issue with the possibility that the parties can reach an accord on the issue. Early in the pretrial schedule, contentions may have been exchanged but the parties have not obtained any substantial discovery as yet, there are no expert reports in the case and experts may not even have been retained as yet. It was presented in Committee that motion practice is intensive enough without having to unnecessarily impose on the Court and the parties the need for formal motion practice when early in the

process, a claim of prejudice might be problematical. While it is not anticipated that the use of two dates for amendments under L. Pat. R. 1.3 will be routinely authorized, there may be cases where one or more parties and/or the Court believe such a procedure will be beneficial, and therefore discussion between the parties is warranted.

L. Pat. R. 1.3 specifically requires in advance of the submission of any request for a modification of the Rules that parties "shall meet and confer for purposes of reaching an agreement, if possible, upon any modification." That is directly what the Committee's proposal achieves early in the process, thereby leaving it to the discretion of the Court in the event the parties cannot agree on a proposal.

Accordingly, the Committee believes that requiring a discussion regarding not just the subject issue but with regard to all the issues in proposed subpart (6) will be beneficial to the judicial process and helpful to the parties, and requests that the Board of Judges adopt the proposal as presented.

Rule 2.2- Discovery Confidentiality Order

Committee Statement- This Rule requires the submission to the Court of the Discovery Confidentiality Order ("DCO"), "[w]ithin 30 days after the initial Scheduling Conference."

As part of an effort to provide additional time for the parties in Hatch-Waxman matters to submit non-infringement and invalidity contentions (see proposed amendments to Rule 3.6 (c) and (e) that follow), and in an attempt to balance the present structured schedule under the Local Patent Rules, it is proposed that the 30 days under this Rule be reduced to 14 days. While that may result in further pressure upon the parties to promptly submit the DCO, it provides additional time for parties to prepare their opening contentions.

Rules 3.3(d) (Invalidity Contentions) and 3.4A (Responses)

Committee Statement- This amendment would require a party asserting invalidity under Sec. 112 of the Patent Act to set forth the factual basis for that assertion, and would require the patent owner to respond with a detailed explanation of how the claim complies with Section 101 and 112. Presently, the Rules do not specifically cover these issues.

The following amendments are proposed:

Rule 3.3. Invalidity Contentions.

* * * *

(d) Any grounds of invalidity based on 35 U.S.C. § 101, indefiniteness under 35 U.S.C. § ~~112(2)~~ 112(b) or enablement or written description under 35 U.S.C. § ~~112(1)~~ 112(a) of any of the asserted claims including a detailed explanation of the bases for the asserted grounds.

Rule 3.4A Responses to Invalidity Contentions.

* * * *

(d) For each asserted grounds of invalidity under L. Par. R. 3.3(d), a detailed explanation of how the asserted claim complies with 35 U.S.C. § 101 or 35 U.S.C. § 112; and

(e)~~(d)~~ The production or the making available for inspection and copying of any document or thing that the party intends to rely on in support of its Responses herein.

Rule 3.6- Disclosures Arising Under the Hatch-Waxman Act

Committee Statement- Presently, Rules 3.6(c) and (e) respectively, require the submission of a party's non-infringement and invalidity contentions in Hatch-Waxman matters within 14 days after the initial Scheduling Conference. That two week time frame has been the subject of a number of complaints from parties. This provision is intended to provide additional time for a party to submit its contentions by modifying the obligation in Hatch-Waxman matters from 14 days to 30 days from the date of the Scheduling Conference. This proposal was paired with the proposed amendment to Rule 2.2 to attempt to balance the impact of providing additional time for parties to provide their opening contentions.

Rules 4.1 and 4.2 (Exchange of claim terms for construction)

Committee Statement- Rules 4.1 governs the exchange of proposed terms for construction, and Rule 4.2 governs the exchange of preliminary claim constructions and extrinsic evidence. Often a party will assert that the meaning of a particular claim term is "plain and ordinary," but little or no explanation is provided regarding the meaning of that assertion. Under the proposed amendment, parties would be required to explain the meaning of "plain and ordinary" that is assigned to each claim term, and provide any evidence in support thereof, consistent with the obligations under the Rules..

MINORITY REPORT OF THE
LOCAL PATENT RULES ADVISORY COMMITTEE
May 25, 2016

Preliminary Statement

As requested by Judge Chesler, we have revised the May 23, 2016 Minority Report to set forth the critical issue of dispute over the proposed amendments to Local Patent Rule 2.1(a).

Proposed Amendments to Local Patent Rule 2.1(a)

The Committee is not unanimous on the inclusion of the following subsection in proposed Rule 2.1(a)(6):

> **Whether the Judge in his/her discretion consistent with L. Pat. R. 1.3, should consider issuing a Scheduling Order that contains two dates for amendments under L. Pat. R. 3.7 and for adding parties, the first date of which shall be without the need for leave of Court, and second date for which amendments would be permitted only upon application to the Court under customary procedures;***
> **** Inclusion of this item for discussion does not indicate any endorsement by the Committee of this procedure.**

First, this proposal ***requires*** parties to discuss two dates for amending contentions – one without leave of court – and makes that discussion part of the Joint Discovery Plan. However, Local Patent Rule 3.7, which is a hallmark of this District's Local Patent Rules, governs the timing and substantive requirements for amending contentions under the rules. To have the parties be "required" by this new rule to discuss and negotiate these "double dates" (one without good cause) is (1) inconsistent with the express language of Local Patent Rule 3.7 and (2) inconsistent with the Committee's virtually unanimous vote rejecting this concept (*see* Proposed Amendments to Rules 2.2 and 3.6).

Second, although the proposal cites to the discretion reflected in Local Patent Rule 1.3, nothing in the ***current*** rules prevents courts from exercising that discretion at any time. *See* L. Pat. R. 1.3 (Court may modify obligations set forth in Local Patent Rules based on circumstances of any case). In short, the proposed paragraph seeks to fix a problem that does not exist and may create additional problems. As the Rules stand now, without this unnecessary amendment, the parties may still reach agreement on specific procedures relevant to the needs of their case, and the Magistrate Judge may use his or her discretion in approving any such agreement. Requiring the parties to discuss two dates for amending contentions – one without good cause – may give rise to unnecessary disputes and protract the litigation. The Local Patent Rules should not become a vehicle for rigorous micromanagement by attempting to dictate every topic that the parties must discuss, especially a topic such as amending contentions, which the Rules already address fully.

Third, the Committee reached a compromise position to amend Local Patent Rules 3.6(c) and (e) to provide additional time for defendants in Hatch-Waxman cases to serve their Non-Infringement and Invalidity Contentions (*see* Proposed Amendment to Rule 3.6 (allowing 30 days, instead of 14 for defendants in Hatch-Waxman cases to serve their contentions)). This compromise was reached after the Committee rejected a proposal to amend the Local Patent Rules to provide a date for amending contentions without leave of court. This proposed subparagraph would undermine the purpose of that compromise and is contrary to the Committee's consensus that Local Patent Rule 3.7 should not be modified.

* * *

In short, the proposed amendment to Rule 2.1(a) would create greater uncertainty and could protract the process. We believe the Local Patent Rules have been working well and see no reason to add the disputed subparagraph at this time.

With respect to the proposed revisions to Local Patent Rules 2.2 and 3.6, we believe the language in the Report of the Local Patent Rules Advisory Committee should be revised to reflect the official Committee Minutes and the November 13, 2015 Subcommittee Report and have provided the proposed alternative language in the May 23, 2016 version of the Minority Report.

Respectfully submitted,
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