

Application of the Rule 26 ‘Proportionality Requirement’ in Patent Cases



Despite a seeming lack of case law on the issue, patent practitioners should not hesitate to rely upon the Rule 26 proportionality requirement to attempt to “rein in” discovery costs.

By James J. DeCarlo, Jamie L. Ryerson and Alyssa Wall | June 28, 2018 | New Jersey Law Journal

In recognition of the fact that oppressive and overly burdensome discovery requests run contrary to securing “the just, speedy, and inexpensive determination of every action and proceeding,” Rule 26 of the Federal Rules of Civil Procedure was amended in 2015 to emphasize a pre-existing but often overlooked requirement, namely that parties may only obtain discovery that is “proportional to the needs of a case.” Perhaps nowhere was this emphasis more appropriate than in patent infringement cases, which have potentially high discovery costs, often driven by extensive e-discovery only marginally relevant to core infringement and validity concerns. Indeed, it is well documented that non-practicing entities (who typically possess far less discoverable information than the accused infringer) often seek to “weaponize” asymmetric discovery as a settlement driver.

Given this perceived overuse of discovery, one may have anticipated significant motion practice directed to this issue, however a review of case law post-dating the 2015 Federal Rule amendments reveals a surprisingly low number of such decisions. This lack of case law could result from addressing the proportionality requirement during the meet-and-confer process and discovery conferences in a way that

never matures into motion practice, but it is also possible that the proportionality requirement remains under-utilized by patent litigants.

Litigants Share the Burden of Addressing Proportionality

Rule 26(b)(1), as amended, provides that discovery must 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.

But the burden of ensuring proportionality does not lie solely with the party requesting discovery. Rather, as stated in the advisory committee notes to the 2015 amendments, “[t]he parties and the court have a *collective* responsibility to consider the proportionality of all discovery and consider it in resolving discovery disputes.” Fed. R. Civ. P. 26(b)(1) advisory committee’s note to 2015 amendment (emphasis added).

Citing the advisory committee note, the court in *Polaris Innovations Ltd. v. Kingston Technologies Co.*, No. 16-cv-00300, 2017 WL 3275615 (C.D. Cal. Feb. 14, 2017), rejected the premise that (i) the requesting party “alone had to establish proportionality,” and (ii) that its motion to compel failed “simply because [the requesting party] did not fully and explicitly address proportionality.” *Id.* at *6. On the flip side, the court in *Novanta Corp. v. Iradion Laser*, No. 15-cv-1033, 2016 U.S. Dist. LEXIS 126042 (D. Del. Sept. 16, 2016), denied a motion to compel production of the accused infringer’s “corporate records” because “[a]lthough there is potential that some corporate records will help Plaintiff to establish willfulness or damages claims,” the request “is overbroad when considering the importance of the discovery in resolving the issue.” *Id.* at **11-12.

Discovery Requests Should Be Narrowly Tailored

Even absent the 2015 amendments to Rule 26, the broad scope of discovery does not give parties license to engage in a “fishing expedition.” *Cinclips v. Z Keepers*, No. 8:16-cv-1067, 2017 WL 1065560, at *4 (M.D. Fla. Mar. 21, 2017). Courts have applied the proportionality requirement in enforcing this well-known principle. For example, in *Cinclips*, the court denied an email search of “the sole principal of Defendant” using six search terms where “the request [did] not specify a timeframe” and “the terms [were] not narrowly tailored” but allowed an email search for the plaintiff’s name “within the time frame of the allegations in the Complaint” as “proportional to the needs of the case.” *Id.*

Similarly, in *Rembrandt Diagnostics v. Innovacon*, No. 3:16-cv-698, 2017 WL 4391707 (S.D. Cal. Oct. 3, 2017), a court declined to compel production of an email request that implicated over 300 gigabytes of emails from two custodians. There, the court determined the cost of producing and reviewing the emails, estimated at “upwards of \$30,000” to be disproportionate to the needs of the case, given that deposing the two custodians would provide all the necessary information. *Id.* at *6. In arriving at its decision, the *Rembrandt* court relied on “the common-sense concept of proportionality” and emphasized the amendment’s role in “eliminat[ing] unnecessary or wasteful discovery.” *Id.* at *2.

Boilerplate Proportionality Objections Will Not Suffice

In discovery disputes centered on proportionality, courts require more than general or boilerplate objections. *See, e.g., Polaris Innovations Ltd.*, 2017 WL 3275615, at **7-8 (finding objection that “[the

discovery request] is not proportional,” without more, to be “insufficient under FRCP 26”). As with other objections, proportionality objections “must be made with specificity, and the responding party has the obligation to explain and support its objections.” *TNA Austl. PTY Ltd. v. PPM Techs.*, No. 3:17-cv-642-M, 2018 U.S. Dist. LEXIS 73933, at **28-29 (N.D. Tex. Apr. 19, 2018).

A decision on a motion to compel in *Ecojet v. Luraco*, No. 16-cv-00487, 2016 WL 9000043 (C.D. Cal. Oct. 12, 2016) is instructive. There, the defendant objected to discovery requests “on the grounds that responding would impose an undue burden disproportionate to the needs of the case,” arguing that it “is a small company with limited resources” *Id.* at *2. The *Ecojet* court overruled the objection and held “[t]his kind of generalized statement is insufficient to sustain Defendant’s undue burden objections.” *Id.*

There Is No “One-Size Fits All” Approach

Determining the proportionality of a discovery request is necessarily a fact-intensive inquiry dependent on the scope of the request and the needs of a particular case. As such, while model orders and decisions rendered under different facts require due consideration, litigants should not feel bound by them. Notably, many of the model e-discovery orders adopted for use in patent cases recognize a need for flexibility and expressly provide for modification at the court’s discretion or by stipulation. Capitalizing on this recognized need for flexibility, the defendants in *Lanard Toys Ltd. v. Dolgencorp*, No. 3:15-cv-849, 2016 WL 703132 (M.D. Fla. Jan. 21, 2016), successfully argued against entry of an e-discovery order that would have obligated them to carry out early electronically stored information (ESI) searches involving a set number of search terms. The court opined that while “ESI will almost always be part of a case,” imposition of an ESI agreement in almost every case “does not follow” in view of proportionality factors. *Id.* at *4.

Phase Your E-discovery

Many of the model e-discovery orders dictate that email requests be propounded later in the discovery process, at which point the disputed issues and associated need for email discovery will have come into greater focus. For example, the “Model Order Regarding E-Discovery in Patent Cases” promulgated by the Federal Circuit Bar Association requires email requests to be served *after* the parties exchange core documentation concerning “the patents, the prior art, the accused instrumentalities, and the relevant finances.” In explaining this approach, former Federal Circuit Chief Judge Randall Rader cited a statistic “that .0074% of the documents produced actually [make] their way onto the trial exhibit list,” and noted that in his experience “email appears more rarely as relevant evidence.” *DCG Systems v. Checkpoint Techs.*, No. 11-cv-03792, 2011 WL 5244356, at *1 (N.D. Cal. Nov. 2, 2011). Armed with this authority, patent litigants in jurisdictions that do not presumptively call for phased e-discovery may be able to advance a compelling argument why the court should do so in their case.

Proportionality May Not Be The Answer

The “discovery burden and cost asymmetries” in patent litigation suits brought by non-practicing entities (NPEs), which typically “do not invent, develop, or manufacture products incorporating their patented technology” and therefore “generally have less discoverable information than the party accused of infringement,” have been well documented. *See* Federal Trade Commission, Patent Assertion Entity Activity 9 (Oct. 2016). Surprisingly, there appears to be very little case law in which accused infringers have attempted to rely upon the proportionality requirement and recognized discovery asymmetries when objecting to discovery requests in NPE cases. One explanation may lie in the text of Rule 26 itself, which instructs litigants to consider “the parties’ relative access to relevant information” in assessing proportionality. The advisory committee notes to the 2015 amendments to Rule 26 state that, in cases

involving “information asymmetry,” “the burden of responding to discovery lies heavier on the party who has more information, and properly so.” Given that thinking, accused infringers will always be at a discovery disadvantage, requiring creative approaches to manage “weaponized” discovery.

Conclusion

The 2015 amendments to Rule 26(b)(1) were specifically enacted to discourage discovery overuse. Despite a seeming lack of case law on the issue, patent practitioners should not hesitate to rely upon the Rule 26 proportionality requirement to attempt to “rein in” discovery costs. The authorities discussed above provide a good starting point to assist practitioners in crafting persuasive arguments to thwart discovery requests aimed more at imposing a burden than informing the parties’ dispute.

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