

25th Annual Berkeley-Stanford Advanced Patent Law Institute

Complex Discovery Issues

Arising in Today's Patent Litigations

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Discovery Issues

- 1) Third-Party Litigation Funding
- 2) Patent Ownership, Enforcement Rights and Standing
- 3) Taking and Using Discovery Outside the U.S.
- 4) Gen AI Uses and Implications for Discovery

Third-Party Litigation Funding

Recent Developments

- Rules Suggestion To The Advisory Committee On Civil Rules
 - On October 2, 2024, Lawyers for Civil Justice and the U.S. Chamber of Commerce Institute for Legal Reform submitted a Rules Suggestion to the Advisory Committee on Civil Rules
 - Lack of uniformity regarding disclosure of third-party litigation funding agreements
 - FRCP should also require disclosure of litigation funding agreements
- Proposed legislation - H.R.9922 - Litigation Transparency Act of 2024
 - On July 11, 2024, Congressman Darrell Issa (CA-48), Chairman of the House Judiciary Subcommittee on Courts, Intellectual Property, and the Internet, introduced the Litigation Transparency Act of 2024
 - Requires the disclosure of any third-party that has a right to receive any payment contingent on the outcome of the civil action
 - Also requires the agreement creating the right to receive payment be produced.

GAO Report (December 2024)

- Report to the Ranking Member, Subcommittee on Intellectual Property, Committee on the Judiciary, U.S. Senate
- Issued this week
- Benefits of disclosure requirements include:
 - Identifying conflicts of interest
 - Identifying foreign involvement
 - Facilitating case resolution
- Concerns with disclosure requirements include:
 - Relevance to litigation
 - Potential biasing of litigation
 - Burden on court system

Third-Party Litigation Funding Disclosure Requirements

- District of Delaware

- [Standing Order Regarding Third-Party Litigation Funding Arrangements](#) (Apr. 18, 2022)

- a) The identity, address, and, if a legal entity, place of formation of the Third-Party Funder(s);
- b) Whether any Third-Party Funder's approval is necessary for litigation or settlement decisions in the action, and . . . , the nature of the terms and conditions relating to that approval; and
- c) A brief description of the [nature of the financial interest](#) of the Third-Party Funder(s).

- District of New Jersey

- Civ. L.R. 7.1.1 (amended June 21, 2021)

- “[A]ll parties . . . shall file a statement . . . containing the following information regarding any person or entity that is not a party and is providing funding for some or all of the attorneys’ fees and expenses for the litigation on a non-recourse basis in exchange for (1) a contingent financial interest based upon the results of the litigation or (2) a non-monetary result that is not in the nature of a personal or bank loan”

- Northern District of Ohio, Eastern Division, Judge J. Philip Calabrese

- [Rule 26\(f\) Report of the Parties](#) (updated January 2, 2024), ¶ 13

- “Each party may submit this disclosure *ex parte* by email to calabrese_chambers@ohnd.uscourts.gov.”

Third-Party Litigation Funding Disclosure Requirements

- Northern District of Texas

- L.R. 3.1(c)

- A plaintiff's electronically filed complaint must be accompanied by a “signed certificate of interested persons... that contains... a complete list of all persons, associations of persons, firms, partnerships, corporations, guarantors, insurers, affiliates, parent or subsidiary corporations, or other legal entities that are financially interested in the outcome of the case.”

- Western District of Texas

- L.R. CV-33(b)(3) Interrogatories to Parties

- “If [name of party to whom the interrogatory is directed] is a partner, a partnership, or a subsidiary or affiliate of a publicly owned corporation that has a financial interest in the outcome of this lawsuit, list the identity of the parent corporation, affiliate, partner, or partnership and the relationship between it and [the named party].”
 - “If there is a publicly owned corporation or a holding company not a party to the case that has a financial interest in the outcome, list the identity of such corporation and the nature of the financial interest.”

Nimitz Techs. LLC v. CNET Media, Inc.

- *Nimitz Techs. LLC v. CNET Media, Inc.*, No. CV 21-1247-CFC, 2023 WL 8187441, at *1 (D. Del. Nov. 27, 2023) (Chief Judge Colm F. Connolly)
 - “I have decided to refer the [attorneys of record for the plaintiffs](#) in these cases to the [disciplinary counsel of their respective bars](#). . . . necessary to refer to the Texas Supreme Court's Unauthorized Practice of Law Committee certain [attorneys associated with the patent monetization firm IP Edge LLC](#) (IP Edge) and its affiliate Mavexar LLC (Mavexar) a referral of these matters to the [United States Department of Justice](#) and the [United States Patent & Trademark Office \(PTO\)](#) for further inquiry is warranted.”
 - “[B]y early September 2022, I had developed concerns that the LLC plaintiffs [Nimitz, Mellaconic and Lamplight] may have had [undisclosed financial relationships with IP Edge](#)”
- *In re Nimitz Techs. LLC*, No. 2023-103, 2022 WL 17494845, at *2 (Fed. Cir. Dec. 8, 2022) (denying petition for a writ of mandamus)
 - “The district court identified four concerns All are related to potential legal issues in the case”
 - “”Did counsel comply with the Rules of Professional Conduct? Did counsel and Nimitz comply with the orders of this Court? Are there [real parties in interest](#) other than Nimitz, such as Mavexar and IP Edge, that have been hidden from the Court and the defendants? Have those real parties in interest perpetrated a fraud on the court by [fraudulently conveying to a shell LLC the \[patent-in-suit\] and filing a fictitious patent assignment with the \[United States Patent and Trademark Office\]](#) designed to shield those parties from the potential liability they would otherwise face in asserting the ... patent in litigation?”

Decisions Granting Discovery

- *Electrolysis Prevention Solutions LLC v. Daimler Truck N. Am. LLC*, 2023 WL 4750822, at *5, 7 (W.D.N.C. July 24, 2023)
 - Acknowledged that “litigation funding agreements and related documents can be directly relevant to the [valuations placed on the patents](#) prior to the present litigation,” and allowed discovery for that purpose.
 - But noted “[c]ourts have reached different conclusions as to whether information regarding litigation funding may be discovered in order to rebut [potential trial themes](#)” such as [David vs. Goliath narrative](#).
- *Taction Tech., Inc. v. Apple, Inc.*, 2023 WL 4611826, at *2 n.4 (S.D. Cal. July 18, 2023)
 - “[L]itigation funding agreements, related supplemental documents and correspondence, [and] memoranda and spreadsheets regarding valuations of this case and the Asserted Patents” were work product. d
 - But “the [existence](#) of litigation funders, litigation agreements, and documents related to patent valuation was not protected information under the work-product doctrine.” (emphasis in original).
- *In re Bayerische Motoren Werke AG*, 2022 WL 1422758, at *4-5 (N.D. Ill. May 5, 2022)
 - BMW filed *ex parte* Application for an Order to Obtain Discovery from American company, Magnetar Capital, for use in a German proceeding pursuant to [28 U.S.C. § 1782\(a\)](#).
 - BMW claimed that Magnetar invests in “patent monetization entities and intellectual property portfolios, including ... the portfolio Arigna asserts against BMW,” and that “information regarding purchase, license, settlement agreements and negotiations, and litigation funding and Arigna’s capitalization is relevant to Arigna's [German “value-in-dispute claims.”](#)”

Patent Ownership, Enforcement Rights and Standing

Standing Challenges

- Constitutional standing under Article III
 - *Zebra Technologies Corporation v. Intellectual Tech LLC*, No. 24-114 (U.S.) – denying cert. petition
 - *Intellectual Tech LLC v. Zebra Techs. Corp.*, No. 22-2207 (Fed. Cir., May 1, 2024)
 - Reversing and remanding W.D.Tex. decision (J. Albright) that dismissed all of plaintiff’s claims against Zebra for lack of constitutional standing
 - Fed. Circuit found that plaintiff retained patent rights under security agreement – “under the only reasonable reading of the patent and trademark security agreement, IT still retained at least one exclusionary right, even in view of the rights Main Street gained upon default,”
- Statutory standing under 35 U.S.C. § 281

Taking and Using Discovery Outside the U.S.

Extraterritorial Discovery Issues

- 28 U.S. C. § 1782 to obtain discovery for use in foreign proceedings
- Discovery in Unified Patent Court (UPC) proceedings
- Jurisdictions with limitations on taking oath / depositions
- China data protection laws
 - Data Security Law
 - Cybersecurity Law
 - Personal Information Protection Law (PIPL)

Gen AI Uses and Implications for Discovery

New Issues That May Arise During Discovery

- GenAI uses in patent litigation (prior art searching, claim charts)
- Ethical obligations –
 - ABA Model Rule 1.1 (Competence)
 - ABA Model Rule 1.6 (Confidentiality)
 - ABA Model Rule 3.3 (Candor Towards Court)
- Judicial Standing Orders on AI impacting patent-related submissions

Varying Standing Orders Regarding Gen AI

- **SD Ohio's Judge Newman Standing Order, Section 6** – “No attorney for a party, or a pro se party, may use Artificial Intelligence (“AI”) in the preparation of any filing submitted to the Court”
- **ND Cal** - Some standing orders requiring “attorney must certify review of AI-generated materials and maintain records of all prompts or inquiring submitted to any generative AI tools in the event those records become relevant at any point” - **Judge Martinez-Olguin's Standing Order, Section H.4, Judge Lee, Standing Order, Section VIII.G**
 - However **Judge Lin's Standing Order** explicitly does "not prohibit[]" use of Gen AI tools, nor does it impose any disclosure or certification requirements.
- Only E.D. Tex appears to have addressed AI in Local Rules, but still a warning for patent litigants “must review and verify any computer-generated content to ensure that it complies with all such standards” **E.D. Tex. LR AT-3(m)**

TAKEAWAYS
