

LITIGATORS CORNER: Scheduling Orders: A Crash-and-Burn Failure



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Last month, I wrote about my wishes for 2003 — some of the things I would like to see happen in patent litigation to make it faster and less costly. As I mentioned then, we've adopted a sort of Schlieffen plan in patent litigation, like the one the German army devised, revised and tested years before World War I. Their plan was a complex arrangement calling for troop mobilization and movement by train, truck and on foot on a vast and intricate scale where minutes counted. The Germans calculated everything. For instance, they determined that one army corps filled exactly twenty-nine kilometers of a typical road, and that a corps advanced thirty-two kilometers on foot each day. The goal of the plan was a sweeping invasion of France through Belgium, surrounding the French army and resulting in the defeat of France in a few weeks, before Russia, France's ally, could act effectively against Germany from the east.

There were two problems that the Germans did not foresee, despite their meticulous planning. First, the mobilization, once set in motion, could not be stopped without risking chaos. In other words, the Schlieffen plan actually helped insure that a war would start. Second, as everyone knows, the plan didn't work; the war bogged down and went on for four years of trench warfare.

Our scheduling orders are equally intricate. They typically include dates for many different events: initial disclosures, preliminary infringement contentions, preliminary invalidity contentions, joinder of parties, amendments of the pleadings, settlement demands, claim construction briefs, joint claim construction statements, the close of fact discovery, the close of expert discovery, dates for requests for admissions, dispositive motions, the duration of trial, synopses of the testimony of each witness, and so forth.

These overly-detailed and rigid plans are not providing the alleged benefits. Like the Schlieffen plan, the concept of a detailed scheduling order is an intricate and ultimately spectacular failure.

One of the reasons these scheduling orders fail to deliver is that some of the plans contain provisions that make no sense whatever. In one of our cases, the scheduling order required that the plaintiff make a settlement demand. Since we had no discovery, we had to use publicly-available information. That might work in a personal injury case, but it didn't make much sense in our patent case, where the damages depend on non-public data, like the defendant's sales and profits. Such an early settlement demand, based on poor information, makes little sense. Yet I have seen two courts impose such a requirement.

Another flaw in the same scheduling order was that it did not require the defendant to make any response to the settlement demand, even an acceptance or a refusal. No counter-proposal was required. The only purpose in requiring a settlement demand is to see if the case can be settled. But if the order requiring the demand does not require a response, then such an order

is a waste of everyone's time. It takes at least two to play poker.

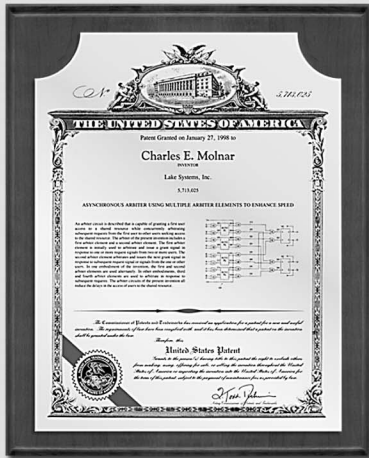
Other dates in scheduling orders deal with when fact and expert discovery close. Experts are supposed to base their opinions on facts. Those facts come, in substantial part, from the other side of the case. For a plaintiff in an infringement case, reports regarding infringement and damages depend on getting facts from the defendant. But in two of our cases, expert reports were due before any fact discovery was done. We had to provide a damage report claiming a reasonable royalty without knowing what the defendant's exact sales were, what its gross profits were on the accused products, or how the profitability of those products compared to others. Our technical expert's report necessarily suffered similarly. We carefully qualified each report. Yet the defendant complained that the reports were incomplete, and did not comply with Rule 26. Of course, that objection made little sense. The extent the reports were not complete in every respect stemmed directly from the scheduling order, to which the defendant had agreed.

Not too many years ago, before the Federal Rules were modified, there was generally one requirement about discovery: a date by which it had to be finished. The parties were left to arrange the rest of it among themselves.

That began to change once the amendments gave more prominence to experts' reports. Parties then began to arrange two periods of discovery: one for fact discovery, and a second, shorter period, for expert depositions. That is the way I would prefer to leave it, with a court resolving the issue only if the parties cannot make their own arrangement. Expert reports done without the benefit of any discovery are almost always going to be incomplete, so I favor getting the facts, then seeing what the experts have to say. Scheduling orders that put the cart of expert reports before the horse of discovery aren't a benefit to litigants.

Another common feature of scheduling orders is a date for any amendments to be made for adding new claims, such as additional patents and new counterclaims. This requirement is enforced erratically, however, which makes the scheduling order a guessing game, rather than a means of prediction and planning. Let me give you two examples.

In one of our cases, the scheduling order included a date for amendments to the pleadings. Three years after the date for



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amendments had passed, and four months after the close of all discovery, the defendant moved to amend to add a claim that our client had violated the antitrust laws by enforcing its patents. The claim had no substantive merit; like claims of inequitable conduct, it was a negotiation tool, being used in bad faith. A monopolist is one who has the ability to control output of a product in some market, and the price of the product in that market. Thus, the usual discovery involves figuring out the market, who is in it, and what they are charging and making on the product in question. We had taken no such discovery; it wasn't necessary, discovery is expensive, most litigants prefer to avoid involving their customers in a dispute, and competitors fiercely resist giving up data about profits and sales.

We told the court that the amendment was too late, and that its addition prejudiced our client. We pointed out its lack of merit, and the absence of any discovery concerning the elements of an antitrust claim. The defendants' sales had actually dramatically increased during the alleged monopolization. Nevertheless, the court allowed the amendment. The two lessons I

took away from the experience are that scheduling orders entered by one judge won't necessarily be obeyed by another. Second, the predictability of a scheduling order is imaginary; if you rely on it, your client might get hurt because you believed the court. An order that can be so cynically manipulated isn't an order at all; it is a trick, because instead of protecting your client, it misleads you.

One might think that this is an aberrant example. It isn't. In another of our recent cases, the defendant moved to amend to add an antitrust claim. The motion was made four months after discovery closed, and a year after the date for amendments had passed. Again, the claim was suspect; the defendant's own testimony and documents undermined it. We opposed, indicating that the amendment was long overdue. Again, however, the court — one quite experienced in patent litigation — allowed the amendment.

One of the standard principles justifying denial of a motion to amend is delay by the party moving to amend. There are hundreds, if not thousands of cases saying so. One is *Jones v. Hamelman*, 869 F.2d 1023 (7th Cir. 1989). Another guiding principle

is prejudice to the non-movant. There are an equal number of cases supporting this principle, as well. But in both cases I've described, delay was ignored, as was prejudice to the non-movant, even though in both instances the amendment was in violation of a prior court order.

Scheduling orders are, therefore, in my opinion, meaningless twaddle. Courts seem to enter them with all the thought and consideration of a meter maid issuing a parking ticket. Then those same courts ignore them. (Perhaps the court should get Denver-booted. Just a thought.) It seems to me quite unfair that a litigant relies on a court order for some protection, only to learn that the court has no respect for its own orders and ignores them at will.

It isn't worth it when an order fools a litigant instead of providing guidance and notice. I prefer just two dates: one for the close of discovery, and one for the trial. Then, of course, a court has to be known as a court that adheres to those two dates. Real predictability comes not just from making a rule; it results from sticking to that rule, too. Only when we have both do rules contribute to the accomplishment of a just result. **IPT**