

**White Paper: USCS Fed Rules
Civil Procedure R 11**

Winsome IP has extensive experience with claim construction, product analysis and testing, and Evidence-of-Usage/Claim charts. At multiple occasions, we have helped our clients in performing and documenting detailed pre-filing investigations to avoid Rule 11 sanctions.

Case Study

In *Smart Options, LLC v. Jump Rope, Inc.*, Case No. 12-C-2498 (N.D. Ill. March 25, 2013)¹, plaintiff Smart Options sued Jump Rope alleging that it infringed on US Patent 7,313,539. The patent was related to a method for purchasing an "option" to buy a good or service at a "reservation price" within a designated time period.

Jump Rope served Smart Options with a Rule 11 motion as Jump Rope considered the suit meritless. Jump Rope argued "Plaintiff alleges violation of a patent that covers providing options on the right to purchase goods or services at a future time. Defendant's software application, however, does not provide options or charge option fees. Rather, it allows someone to buy the service provided - a right to "jump the line" at an event or facility. Plaintiff and its counsel could have and easily should have discovered this, as the iPhone/Android application they accuse is free to download."

Smart Options decided to proceed with the suit. The Court decided that there was distinction between Jump Rope's software application and Smart Option's patent. Subsequently, Jump Rope filed a motion for Rule 11 sanctions for fees and costs.

The Court was not impressed with Smart Option's pre-filing investigation declaration. The court noted that the declaration included only conclusory language and lacked detail about the steps taken to analyse the application and compare the claims to the application. The Court also cited the lack of screenshots from the application, statements detailing use of the application, statements showing any step in the purchase of a Jump, or other specific evidence of investigative measures.

"Smart Options failure to purchase a Jump is problematic because, as discussed in the Court's summary judgment opinion - and Jump Rope's initial Rule 11 motion - Smart Option's portrayal of the Jump Rope application is factually inaccurate. Indeed, Smart Options based its arguments at summary judgment and the present Rule 11 motion on the mistaken belief that Jump Rope requires a Jump-purchaser to pay an additional cover fee to enter the event or facility once he jumps to the front of the line."

Therefore, Jump Rope's Rule 11 motion was granted and it was awarded reasonable attorney's fees and cost for defending the case.

What is Rule 11?

Rule 11 as used in Federal Law refers to USCS Fed Rules Civil Procedure R 11². It refers to the following.

Signing Pleadings, Motions, and Other

Papers: According to Rule 11, all submissions to a court must be signed by attorneys. In case a party is representing itself, all the submissions should be signed by the party. Any document not signed, is ignored by the court.

Representations to the Court: All signed pleadings, motions or other papers are submitted as the truth to the best of the knowledge or belief. The signature represents the signatory's good faith belief that the information contained in the paper is not frivolous or put forth in contravention of the pursuit of justice. The signature also indicates the signatory's efforts to make a reasonable inquiry into the law and facts at the time of the submission.

Sanctions: Rule 11, in this section, authorizes the courts to apply sanctions against a party that the court finds to be in violation of this rule. Alternatively, a party may make a motion to seek sanctions against opposing counsel.

The courts impose sanctions in the form of monetary penalties, payment of reasonable expenses and attorneys' fees of the opposing party, the revocation of an attorney's license to practise law, or even possible imprisonment, depending on the violation.

The purpose of the sanctions is to act as a deterrence for the repetition of such conduct rather than to provide compensation relief to the defendant.

Amendments to Rule 11

The 1983 amendments imposed *nondiscretionary* sanctions for violating Rule 11. The amendments stressed the need for pre-filing inquiry into both legal and factual aspects of the claim.

The 1993 amendments made sanctions *discretionary*. By removing discovery requests and

motions from the reach of Rule 11 sanctions, the Committee narrowed down the rule for its intended purpose—deterrence, rather than compensation.

How to Avoid Rule 11 Sanctions – Patent Litigation?

Recent case laws have shown, that in order to avoid Rule 11 sanctions, a plaintiff must perform a reasonable pre-filing investigation before filing a litigation suit. In patent litigation cases, the pre-filing investigation generally requires infringement analysis, but does not explicitly requires claim charts, chemical analyses, or "perfect infringement evidence".

Therefore, the plaintiff (with the counsel) must undertake the following measures to prove that a reasonable pre-filing inquiry was made before filing the litigation suit.

- **Claim Construction:** The claims being asserted in the suit must be construed based on the specification and file history of the patent. Secondary sources of information may also be used, if required.
- **Product Analysis:** The accused product must be studied in detail to gather evidence for infringement. The following sources of information can be considered.
 - Public information such as product manuals, data sheets, demos, installation guides, user guides, admin guides and technical specifications.
 - Reverse Engineering or Testing
 - Expert testimonials on the accused product
 - Contact the accused infringer and suppliers for information
 - Regulatory Filings
- **Comparison:** The construed claims must be compared with the evidence gathered on the accused product.

References:

1. Smart Options, LLC v. Jump Rope, Inc.
<http://ipfrontline.com/2013/03/smart-options-llc-v-jump-rope-inc/>
2. Federal Rules of Civil Procedure
https://www.law.cornell.edu/rules/frcp/rule_11