Ethics Before the PTAB: 
Navigating A New Minefield

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Ethics: Important In Any Practice
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(“Miller’s Crossing,” Ethan and Joel Coen, 20th Century Fox, 1990)
Key Topics

- Duty of Candor and Good Faith
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- Disclosure Requirements
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- Disclosure Requirements
- Misconduct and Sanctions
Duty of Candor and Good Faith Disclosure Obligations
Duty of Candor and Good Faith: 37 CFR § 42.11

- Parties and individuals involved in a proceeding have “a duty of candor and good faith”
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Every filing must include a “Rule 11”-type certification
“Rule 11” Type Certification Under § 42.11(b), § 11.18

- “All statements made . . . of the party's own knowledge are true”
“Rule 11” Type Certification Under § 42.11(b), § 11.18

- “All statements made . . . of the party's own knowledge are true”

- “[A]ll statements made . . . on information and belief are believed to be true”
“Rule 11” Type Certification Under § 42.11(b), § 11.18

- “All statements made . . . of the party's own knowledge are true”
- “[A]ll statements made . . . on information and belief are believed to be true”
- “[A]llegations and other factual contentions have evidentiary support”
“Rule 11” Type Certification Under § 42.11(b), § 11.18

• “[L]egal contentions . . . are warranted by existing law or by a nonfrivolous argument for” a change of existing law or “establishment of new law”
"Rule 11" Type Certification Under § 42.11(b), § 11.18

- "[L]egal contentions . . . are warranted by existing law or by a nonfrivolous argument for" a change of existing law or "establishment of new law"

- "The paper is not being presented for any improper purpose"
37 CFR §1.56 Duty of Candor

• **Who**: “Each individual associated with the filing and prosecution of a patent application”
37 CFR §1.56 Duty of Candor

- **Who**: “Each individual associated with the filing and prosecution of a patent application”

- **What**: “duty to disclose to the Office all information known to that individual to be material to patentability”
§1.56 Duty of Candor Does Not Apply

- PTAB proceedings, “not being applications for patents, are not subject to § 1.56.” (Trial Rules, 77 Fed. Reg. at 48638)
Duty to Disclose: 37 CFR § 42.51

- Who?
Duty to Disclose: 37 CFR § 42.51

- **Who?**
  - “[I]nventors, corporate officers, and persons involved in the preparation or filing”
Duty to Disclose: 37 CFR § 42.51

- **Who?**
  - “[I]nventors, corporate officers, and persons involved in the preparation or filing”

- **What?**
Duty to Disclose: 37 CFR § 42.51

- **Who?**
  - “[I]nventors, corporate officers, and persons involved in the preparation or filing”

- **What?**
  - “[R]elevant information that is inconsistent with a position advanced by the party”
Disclosure Obligations: PTO vs. PTAB

- **Who?**
Disclosure Obligations: PTO vs. PTAB

- **Who?**
  - PTO: “[e]ach individual associated with the filing and prosecution” (§1.56)
Disclosure Obligations: PTO vs. PTAB

**Who?**

- **PTO:** “[e]ach individual associated with the filing and prosecution” (§1.56)
- **PTAB:** “inventors, corporate officers, and persons involved in the preparation or filing” (§ 42.51)
Disclosure Obligations: PTO vs. PTAB

- **Who?**
  - PTO: “[e]ach individual associated with the filing and prosecution” (§1.56)
  - PTAB: “inventors, **corporate officers**, and persons involved in the preparation or filing” (§ 42.51)

- **What?**
Disclosure Obligations: PTO vs. PTAB

- **Who?**
  - PTO: “[e]ach individual associated with the filing and prosecution” (§1.56)
  - PTAB: “inventors, **corporate officers**, and persons involved in the preparation or filing” (§ 42.51)

- **What?**
  - PTO: “all information known to that individual to be **material** to patentability” (§1.56)
Disclosure Obligations: PTO vs. PTAB

• **Who?**
  - PTO: “[e]ach individual associated with the filing and prosecution” (§1.56)
  - PTAB: “inventors, **corporate officers**, and persons involved in the preparation or filing” (§ 42.51)

• **What?**
  - PTO: “**all** information known to that individual to be **material** to patentability” (§1.56)
  - PTAB: “relevant information that is **inconsistent** with a position advanced by the party” (§ 42.51)
Motion to Amend and Disclosure Obligations

- Under 37 CFR § 42.121 patentee can *move* to amend

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- Patent owner must make “a showing of *patentable distinction* over the prior art”

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- This includes:
  - “the prior art of record” and

Motion to Amend and Disclosure Obligations

- Under 37 CFR § 42.121 patentee can move to amend

- Patent owner must make “a showing of patentable distinction over the prior art”

- This includes:
  - “the prior art of record” and
  - prior art “not of record but known to the patent owner.”

“Known” prior art is “material prior art that the Patent Owner makes of record . . .”

Amendment: What is “Known” Prior Art?

- “Known” prior art is “material prior art that the Patent Owner makes of record . . . pursuant to its duty of candor and good faith. . . .”

Amendment: What is “Known” Prior Art?

- “Known” prior art is “material prior art that the Patent Owner makes of record . . . pursuant to its duty of candor and good faith. . . in light of a Motion to Amend.”

What Prior Art Should Patent Owner Make of Record?

- “[W]hen considering its duty of candor and good faith . . . Patent Owner should place initial emphasis on each added limitation.”

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- “[W]hen considering its duty of candor and good faith . . . Patent Owner should place initial emphasis on each added limitation.”

- Patent Owner may have duty to disclose “not just the closest primary reference, but also closest secondary reference.”

Misconduct and Sanctions
Misconduct Defined by 37 CFR § 42.12

- Advancing a misleading or frivolous argument
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- Advancing a misleading or frivolous argument
- Misrepresentation of a fact
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- Advancing a misleading or frivolous argument
- Misrepresentation of a fact
- Failure to comply with an applicable rule or order
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- Advancing a misleading or frivolous argument
- Misrepresentation of a fact
- Failure to comply with an applicable rule or order
  - Includes failure to disclose a prior relevant inconsistent statement
Misconduct Defined by 37 CFR § 42.12

- Engaging in dilatory tactics
Misconduct Defined by 37 CFR § 42.12

- Engaging in dilatory tactics
- Abuse of discovery
Misconduct Defined by 37 CFR § 42.12

- Engaging in dilatory tactics
- Abuse of discovery
- Abuse of process
Misconduct Defined by 37 CFR § 42.12

- Engaging in dilatory tactics
- Abuse of discovery
- Abuse of process
- Any other improper use of the proceeding
Sanctions for Misconduct Under 37 CFR § 42.12

- Judgment in the trial or dismissal of the petition
Sanctions for Misconduct Under 37 CFR § 42.12

- Judgment in the trial or dismissal of the petition
- An order:
Sanctions for Misconduct Under 37 CFR § 42.12

- Judgment in the trial or dismissal of the petition
- An order:
  - Holding facts to have been established
Sanctions for Misconduct Under 37 CFR § 42.12

- Judgment in the trial or dismissal of the petition

- An order:
  - Holding facts to have been established
  - Precluding a party from presenting or contesting a particular issue
Sanctions for Misconduct Under 37 CFR § 42.12

- Judgment in the trial or dismissal of the petition
- An order:
  - Holding facts to have been established
  - Precluding a party from presenting or contesting a particular issue
  - Excluding evidence
Sanctions for Misconduct Under 37 CFR § 42.12

- Judgment in the trial or dismissal of the petition
- An order:
  - Holding facts to have been established
  - Precluding a party from presenting or contesting a particular issue
  - Excluding evidence
  - Expunging or precluding a party from filing a paper
Sanctions for Misconduct Under 37 CFR § 42.12

- An order:
Sanctions for Misconduct Under 37 CFR § 42.12

- An order:
  - Precluding a party from requesting, obtaining, or opposing discovery
Sanctions for Misconduct Under 37 CFR § 42.12

- An order:
  - Precluding a party from requesting, obtaining, or opposing discovery
  - Requiring terminal disclaimer
Sanctions for Misconduct Under 37 CFR § 42.12

• An order:
  - Precluding a party from requesting, obtaining, or opposing discovery
  - Requiring terminal disclaimer
  - Providing for compensatory expenses, including attorney fees
Sanctions in Practice

• Under 37 CFR § 42.20, a party must obtain prior authorization to file a motion for sanctions
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• The Board frequently denies authorization
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- The Board frequently denies authorization.
- Even when authorized, the Board rarely grants motions for sanctions.
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• The Board frequently denies authorization

• Even when authorized, the Board rarely grants motions for sanctions

• The Board has sometimes sanctioned parties *sua sponte*
Westlake Services v. Credit Acceptance

- Authorization for motion for sanctions denied
Westlake Services v. Credit Acceptance

- Authorization for motion for sanctions denied
- Petitioner questioned expert on issues beyond the scope of the declaration
Westlake Services v. Credit Acceptance

- Authorization for motion for sanctions denied
- Petitioner questioned expert on issues beyond the scope of the declaration
- Patent owner sought leave to file motion for sanctions striking testimony
Westlake Services v. Credit Acceptance

- Authorization for motion for sanctions denied
- Petitioner questioned expert on issues beyond the scope of the declaration
- Patent owner sought leave to file motion for sanctions striking testimony
- Petitioner argued relevance, patent owner’s failure to object
Coalition for Affordable Drugs v. Celgene

- Motion for sanctions authorized
Coalition for Affordable Drugs v. Celgene

- Motion for sanctions authorized
- Motion was denied
Coalition for Affordable Drugs v. Celgene

- Motion for sanctions authorized
- Motion was denied
- Petitioners used IPR as part of investment strategy
Coalition for Affordable Drugs v. Celgene

• Motion for sanctions authorized
• Motion was denied
• Petitioners used IPR as part of investment strategy
• Patent owner argued:
Coalition for Affordable Drugs v. Celgene

- Motion for sanctions authorized
- Motion was denied
- Petitioners used IPR as part of investment strategy
- Patent owner argued:
  - Petitions are “abuse of the inter partes review process”
Coalition for Affordable Drugs v. Celgene

- Motion for sanctions authorized
- Motion was denied
- Petitioners used IPR as part of investment strategy
- Patent owner argued:
  - Petitions are “abuse of the inter partes review process”
  - Petitioner motivated by profit, had no competitive interest
Coalition for Affordable Drugs v. Celgene

- Board held this was not an improper use of the proceeding
Coalition for Affordable Drugs v. Celgene

- Board held this was not an improper use of the proceeding

- AIA encourages “filing of meritorious patentability challenges, by any person who is not the patent owner. . . to further improve patent quality”
RPX v. Applications in Internet Time

- Sanctions imposed
RPX v. Applications in Internet Time

- Sanctions imposed
- Protective order violation: confidential information disclosed to third parties
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- Board considered three factors:
RPX v. Applications in Internet Time

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  - Does the conduct warrant sanctions?
RPX v. Applications in Internet Time

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  - Does the conduct warrant sanctions?
  - Has the moving party suffered harm from the conduct?
RPX v. Applications in Internet Time

- Sanctions imposed
- Protective order violation: confidential information disclosed to third parties
- Board considered three factors:
  - Does the conduct warrant sanctions?
  - Has the moving party suffered harm from the conduct?
  - Are sanctions proportionate to the harm?
RPX v. Applications in Internet Time

- Sanctions imposed:
Sanctions imposed:

- Declarations from third parties:
Sanctions imposed:

- Declarations from third parties:
  - Specifying information received
Sanctions imposed:

- Declarations from third parties:
  - Specifying information received
  - Specifying use to date of that information
RPX v. Applications in Internet Time

- Sanctions imposed:
  - Declarations from third parties:
    - Specifying information received
    - Specifying use to date of that information
    - Swearing not to use the information going forward
RPX v. Applications in Internet Time

- Sanctions imposed:
  - Declarations from third parties:
    - Specifying information received
    - Specifying use to date of that information
    - Swearing not to use the information going forward
  - Revised protective order
RPX v. Applications in Internet Time

- Sanctions imposed:
  - Declarations from third parties:
    - Specifying information received
    - Specifying use to date of that information
    - Swearing not to use the information going forward
  - Revised protective order
  - Attorneys’ fees
Euro-Pro v. Acorne Enterprises

- Sanctions imposed *sua sponte*
Euro-Pro v. Acorne Enterprises

- Sanctions imposed *sua sponte*
- Patent Owner filed papers:
Euro-Pro v. Acorne Enterprises

- Sanctions imposed *sua sponte*
- Patent Owner filed papers:
  - Upside down
Euro-Pro v. Acorne Enterprises

- Sanctions imposed *sua sponte*

- Patent Owner filed papers:
  - Upside down
  - Improperly formatted
Euro-Pro v. Acorne Enterprises

- Sanctions imposed *sua sponte*

- Patent Owner filed papers:
  - Upside down
  - Improperly formatted
  - With typographical errors
Euro-Pro v. Acorne Enterprises

- Sanctions imposed *sua sponte*
- Patent Owner filed papers:
  - Upside down
  - Improperly formatted
  - With typographical errors
  - With pages missing
Euro-Pro v. Acorne Enterprises

- Sanctions imposed *sua sponte*

- Patent Owner filed papers:
  - Upside down
  - Improperly formatted
  - With typographical errors
  - With pages missing

- Patent owner missed two scheduled conference calls
Take-Aways

- Duty of candor: scope of disclosure differs from scope under § 1.56
Take-Aways

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- Inequitable conduct is a risk:
Take-Aways

• Duty of candor: scope of disclosure differs from scope under § 1.56

• Inequitable conduct is a risk:
  ▪ Failure to disclose inconsistent statements
Take-Aways

• Duty of candor: scope of disclosure differs from scope under § 1.56

• Inequitable conduct is a risk:
  ▪ Failure to disclose inconsistent statements
  ▪ Failure to disclose known prior art during amendment
Take-Aways

- Duty of candor: scope of disclosure differs from scope under § 1.56

- Inequitable conduct is a risk:
  - Failure to disclose inconsistent statements
  - Failure to disclose known prior art during amendment

- Potential for severe sanctions
Take-Aways

• Duty of candor: scope of disclosure differs from scope under § 1.56

• Inequitable conduct is a risk:
  ▪ Failure to disclose inconsistent statements
  ▪ Failure to disclose known prior art during amendment

• Potential for severe sanctions
  ▪ But in practice, to date sanctions uncommon