

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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- Parties and individuals involved in a proceeding have “a duty of candor and good faith”
- 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***”

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- “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”

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- “[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?*

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- *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

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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

Idle Free v. Bergstrom, IPR2012-00027, Paper 26, June 11, 2013.

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

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Amendment : What is “Known” Prior Art?

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

MasterImage v. RealD, IPR2015-00040, Paper 42, July 15, 2015.

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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.”

MasterImage v. RealD, IPR2015-00040, Paper 42, July 15, 2015.

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

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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
- Failure to comply with an applicable rule or order
 - Includes failure to disclose a prior relevant inconsistent statement

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- Engaging in dilatory tactics

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- Abuse of discovery

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- 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

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- An order:

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 - Holding facts to have been established

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 - Excluding evidence

Sanctions for Misconduct Under 37 CFR § 42.12

- Judgment in the trial or dismissal of the petition
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 - 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

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 - Precluding a party from requesting, obtaining, or opposing discovery

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 - 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

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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

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- 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

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- Motion was denied
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- Patent owner argued:

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- 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

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- Protective order violation: confidential information disclosed to third parties

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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

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- Sanctions imposed:
 - Declarations from third parties:

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

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 - Declarations from third parties:
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 - Specifying use to date of that information

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- 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

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- Potential for severe sanctions

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- 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