

PTAB Ethics

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Ethics Topics

- Overview
- Sanctions
- Discussion of Specific Rules

Overview

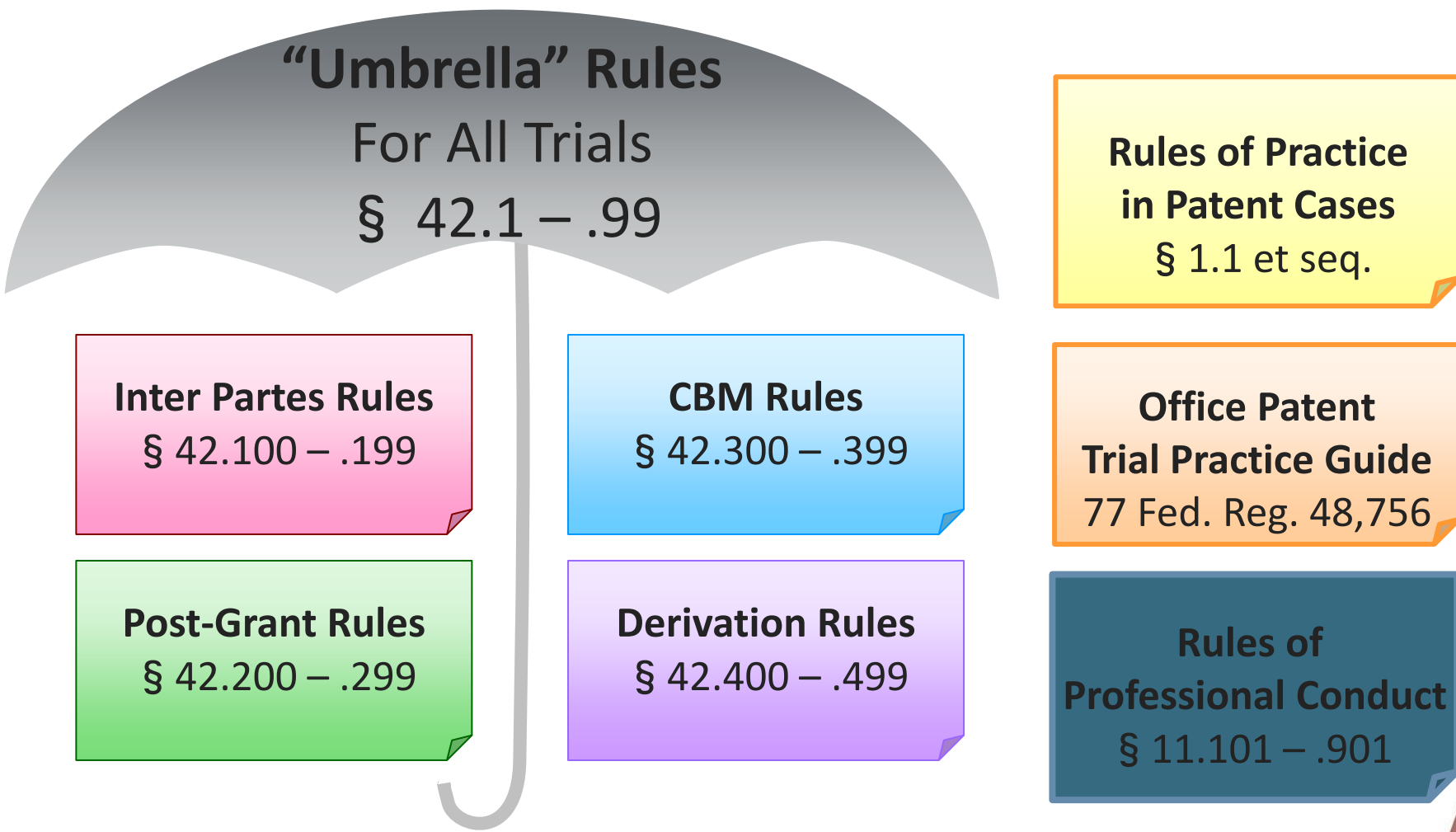
Participants in Patent Trial and Appeal Board proceedings must conform to the Office's

- Rules of Practice in Patent Cases,
- Rules of Practice for Trials, and
- Rules of Professional Conduct

See 37 CFR Parts 1, 11, and 42 .

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Regulatory Framework



**“Umbrella” Rules
For All Trials
§ 42.1 – .99**

Inter Partes Rules
§ 42.100 – .199

Post-Grant Rules
§ 42.200 – .299

CBM Rules
§ 42.300 – .399

Derivation Rules
§ 42.400 – .499

**Rules of Practice
in Patent Cases**
§ 1.1 et seq.

**Office Patent
Trial Practice Guide**
77 Fed. Reg. 48,756

**Rules of
Professional Conduct**
§ 11.101 – .901

See CFR Title 37 Parts 1, 11, and 42.

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USPTO Rules of Professional Conduct

- The new Rules are based upon the ABA's Model Rules.
- The change is “intended to bring standards of ethical practice before the Office into closer **conformity** with the Rules of Professional Conduct **adopted by nearly all States** and the District of Columbia.”
- Why?

Notice of Proposed Rulemaking, 77 Fed. Reg. 64189 (Oct. 18, 2012).

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PTAB Rules

- See 37 CFR 42.10-12
 - 42.10: Counsel
 - 42.11: Duty of Candor
 - 42.12: Sanctions

PTAB Rules

- 37 CFR 42.10
- (c) The Board may recognize counsel *pro hac vice* during a proceeding upon a showing of good cause, subject to the condition that lead counsel be a registered practitioner and to any other conditions as the Board may impose. For example, where the lead counsel is a registered practitioner, a motion to appear *pro hac vice* by counsel who is not a registered practitioner may be granted upon showing that counsel is an experienced litigating attorney and has an established familiarity with the subject matter at issue in the proceeding.
- (d) A panel of the Board may disqualify counsel for cause after notice and opportunity for hearing. A decision to disqualify is not final for the purposes of judicial review until certified by the Chief Administrative Patent Judge.
- (e) Counsel may not withdraw from a proceeding before the Board unless the Board authorizes such withdrawal.

PTAB Rules

- 37 CFR 42.11

“Parties and individuals involved in the proceeding have a duty of candor and good faith to the Office during the course of a proceeding.”

PTAB Rules

- 37 CFR 42.12(a)
- (a) The Board may impose a sanction against a party for misconduct, including:
 - (1) Failure to comply with an applicable rule or order in the proceeding;
 - (2) Advancing a misleading or frivolous argument or request for relief;
 - (3) Misrepresentation of a fact;
 - (4) Engaging in dilatory tactics;
 - (5) Abuse of discovery;
 - (6) Abuse of process; or
 - (7) Any other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.

Ethics Topics

- Overview
- Sanctions
- Discussion of Specific Rules

Sanctions

The PTAB may impose a variety of sanctions for misconduct.

See 35 U.S.C. 316(a), 326(a); 37 CFR 42.12(a); and Rules of Practice for Trials, 77 Fed. Reg. 48618, 48630 (Aug. 14, 2012).

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Sanctions

“The Office **hopes** that such a sanction is rarely needed.”

Rules of Practice for Trials, 77 Fed. Reg. 48630 (Aug. 14, 2012).

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Sanctions

“If appropriate, the misconduct may be reported to the Office of Enrollment and Discipline.”

77 Fed. Reg. 48630. See *also*, 35 U.S.C. § 32, as amended Sept. 16, 2012 (changing the statute of limitations to initiate a disciplinary proceeding to the earlier of 10 years from the misconduct or within one year after made known to the Office).

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Sanctions

“Misconduct includes failure to comply with an applicable rule, abuse of discovery, abuse of process, improper use of the proceeding and misrepresentation of a fact.”

See 37 CFR 42.12(a) and Rules of Practice for Trials, 77 Fed. Reg. 48618 (Aug. 14, 2012).

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Sanctions

“An example of a failure to comply with an applicable rule includes failure to disclose a prior relevant inconsistent statement.”

See 37 CFR 42.12(a) and Rules of Practice for Trials, 77 Fed. Reg. 48618 (Aug. 14, 2012)—routine discovery.

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Sanctions

- PTAB sanctions may include:
 - An order holding facts to have been established in the proceeding;
 - An order expunging or precluding a party from filing a paper;
 - An order precluding a party from presenting or contesting a particular issue;
 - ...

Sanctions

- PTAB sanctions (cont'd):
 - An order precluding a party from requesting, obtaining, or opposing discovery;
 - An order excluding evidence;
 - An order providing for compensatory expenses, including attorney fees;
 - ...

Sanctions

- PTAB sanctions (cont'd):
 - An order requiring terminal disclaimer of patent term;
 - Judgment in the trial or dismissal of the petition.

37 CFR 42.12(b).

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Example: Sanctions Ordered

UNITED STATES PATENT AND TRADEMARK OFFICE

—————
BEFORE THE PATENT TRIAL AND APPEAL BOARD
—————

SAP AMERICA, INC.,
Petitioner,
v.
LAKSHMI ARUNACHALAM,
Patent Owner.

—————
Case IPR2014-00413
Case IPR2014-00414
Patent 8,346,894 B2¹
—————

Per curiam

ORDER EXPUNGING UNAUTHORIZED FILINGS
AND IMPOSING SANCTIONS
Conduct of the Proceeding
37C.F.R. § 42.5

IPR2014-00413

- Important Facts
 - Patent Owner is pro-se
 - 37 CFR 42.20(b) “A motion will not be entered without Board authorization.”
 - Patent Owner filed multiple motions without authorization

IPR2014-00413

- Filings:
 - Patent Owner Challenging Validity and Impartiality of Proceedings Due To Fraud Upon The Office and Request For Fraud Investigation By The Inspector General
 - Patent Owner's Response to Petitioner's Opposition
 - Patent Owner's Reply To Petitioner's Objections To Patent Owner's Evidence
 - Patent Owner's Notice To PTAB About Denial of Due Process To Patent Owner and Motion To Recuse PTAB Judges

IPR2014-00413

“We repeatedly have admonished Patent Owner to refrain from unauthorized filings.”

Order Expunging Unauthorized Filings and Imposing Sanctions, IPR2014-00413 (December 5, 2014) at 4.

IPR2014-00413

“In view of Patent Owner’s refusal to conform to our rules, despite our repeated admonitions, we impose the following sanctions:”

Order Expunging Unauthorized Filings and Imposing Sanctions, IPR2014-00413 (December 5, 2014) at 5.

IPR2014-00413

- (1) Patent Owner's access to upload documents to [PRPS] ... is terminated immediately;
- (2) Patent Owner is prohibited from accessing [PRPS] ... other than [through] qualified lead counsel;
- (3) any qualified lead counsel ... must first contact the Board to obtain permission to use PRPS;
- (4) Patent Owner may file paper documents by mailing them to the address provided for in the rules – however, before Patent Owner submits any paper filings in any proceeding, Patent Owner must first obtain authorization of the Board by emailing Trials@uspto.gov or calling the Board to request a conference call;
- (5) any unauthorized filings will be expunged in their entirety.

...

Any violation of these sanctions or further action in disregard of the Board's rules and orders by Patent Owner may result in entry of an adverse judgment.

Order Expunging Unauthorized Filings and Imposing Sanctions, IPR2014-00413 (December 5, 2014) at 5-6.

IPR2014-00413

Oh, but it gets worse!

The web site includes **a picture of Judge McNamara** superimposed on a background of **simulated targets** with a **skull and crossbones** in a yellow triangle and a link to [non-public papers]... Attempts to intimidate Judge McNamara ... are unacceptable.

Order Expunging Unauthorized Filings and Imposing Sanctions, IPR2014-00413 (December 5, 2014) at 2 (emphasis added).

IPR2014-00413

Oh, but it gets worse!

Reviewing the entirety of Patent Owner's Response, we note that many of Patent Owner's arguments are **neither substantive nor supported by evidence** of any kind. Patent Owner **questions the integrity** and competence of the panel, Petitioner's counsel, and Petitioner's witness, Dr. Sirbu.

Final Written Decision, IPR2014-00413 (August 17, 2015) at 32 (emphasis added).

IPR2014-00413

ORDER

It is ORDERED, that claims 1–19 of the '894 Patent are unpatentable;
FURTHER ORDERED that Patent Owner's Motion to Recuse
remains DENIED; and

Final Written Decision, IPR2014-00413 (August 17, 2015) at 48 (emphasis added).

Example: Sanctions Denied

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

COALITION FOR AFFORDABLE DRUGS VI, LLC,
Petitioner,
v.
CELGENE CORPORATION,
Patent Owner.

Case IPR2015-01092 (Patent 6,045,501)
Case IPR2015-01096 (Patent 6,315,720)
Case IPR2015-01102 (Patent 6,315,720)
Case IPR2015-01103 (Patent 6,315,720)
Case IPR2015-01169 (Patent 5,635,517)¹

Before TONI R. SCHEINER, MICHAEL P. TIERNEY,
MICHAEL W. KIM, JACQUELINE WRIGHT BONILLA,
GRACE KARAFFA OBERMANN, and TINA E. HULSE,
Administrative Patent Judges.

TIERNEY, *Administrative Patent Judge.*

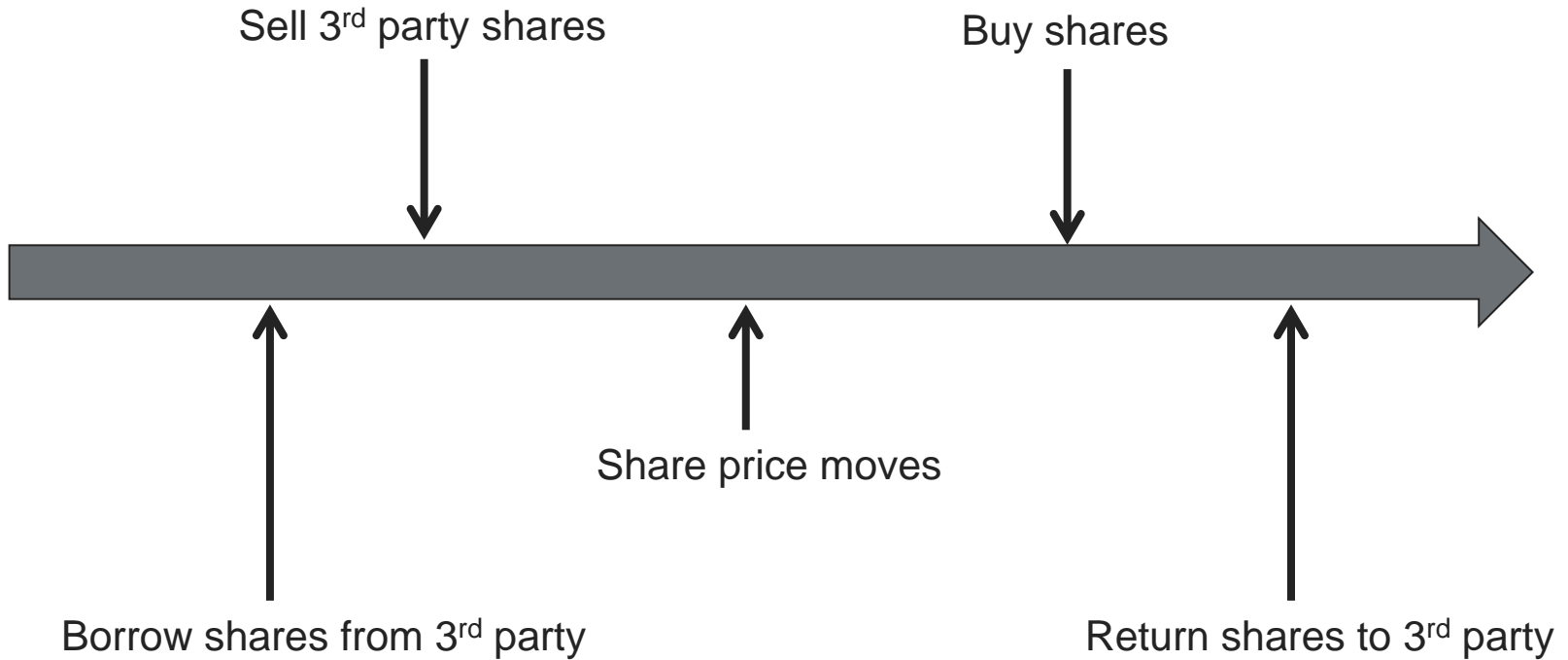
DECISION
Denying Sanctions Motion
37 C.F.R. § 42.12

Background IPR2015-01092

1. Select Patent
2. File IPR
3. ?
4. Profit!

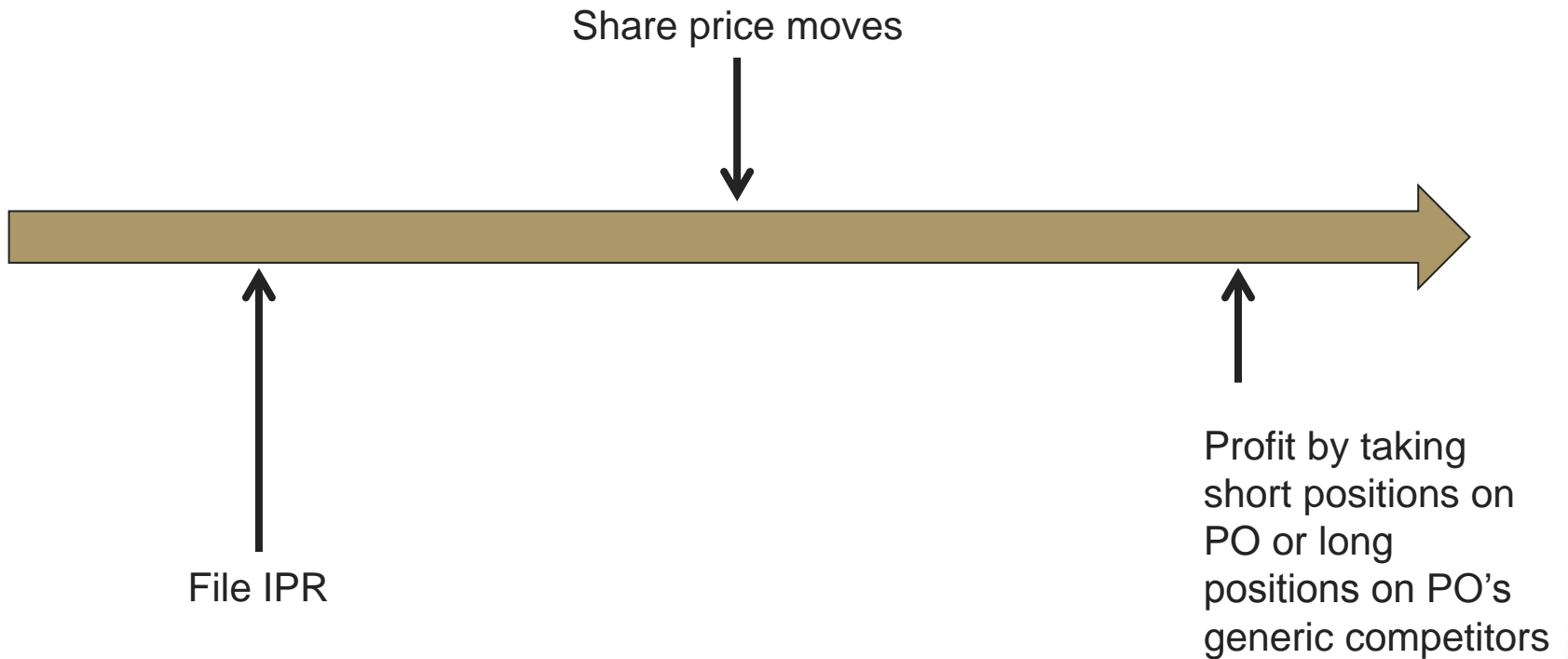
Your Pathway to Riches!

Background IPR2015-01092



Short selling Basics

Background IPR2015-01092



CFAD Strategy

IPR2015-01092

“Mr. Bass then publicly trumpeted his investment strategy of attacking patents in the pharmaceutical industry in what he termed a ‘short activist strategy.’”

Patent Owner Motion for Sanctions IPR2015-01092 (July 28, 2015) at 5.

IPR2015-01092

PO files motion for sanctions, asking that the petition be dismissed “as an abuse of process and an improper use of these proceedings.”

Patent Owner Motion for Sanctions IPR2015-01092 (July 28, 2015) at 2.

IPR2015-01092

“[A] party abuses a process when it uses it to achieve a goal for which the process was not designed.”

Patent Owner Motion for Sanctions IPR2015-01092 (July 28, 2015) at 10, *citing Heck v. Humphrey*, 512 U.S. 477, 486 n.5 (1994)

IPR2015-01092

PO characterizes the purpose of IPRs as being a way to “allow parties to challenge a granted patent through an expeditious and less costly alternative to litigation.” PO says that CFAD has no litigable patent claim nor a competitive interest in invalidating the patents. Rather, PO accuses CFAD of being “motivated by their desire to profit by impacting the stock market.”

Patent Owner Motion for Sanctions IPR2015-01092 (July 28, 2015) at 8 and 13.

IPR2015-01092

“[CFAD] are using this proceeding for an illegitimate purpose not contemplated by the statute: causing changes in the stock prices of public companies and thereby harming the investing public.”

Patent Owner Motion for Sanctions IPR2015-01092 (July 28, 2015) at 12.

IPR2015-01092

But what does the statute say?

“[A] person who is not the owner of a patent may file with the Office a petition to institute an *inter partes* review of the patent.”

35 U.S.C. 311(a)

IPR2015-01092

Petitioner raises *Noerr-Pennington* doctrine:

“[individuals] who petition the government for redress of grievances...are immune from liability for such activity under the First Amendment.”

Opposition to Patent Owner’s Motion for Sanctions IPR2015-01092 (August 11, 2015) at 12, citing *Nader v. Democratic Nat’l Convention* , 555 F.Supp. 2d 137, 160-161 (DDC 2008).

IPR2015-01092

Noerr-Pennington immunity is lost only when:

- 1) Petition is objectively baseless, and
- 2) Petition is subjectively brought with specific intent to further wrongful conduct through the use of the government process-as opposed to the outcome of the process.

Opposition to Patent Owner's Motion for Sanctions IPR2015-01092 (August 11, 2015) at 13, *citing Nader*, 555 F.Supp. 2d at 156.

IPR2015-01092

“Profit is at the heart of nearly every patent and nearly every *inter partes* review. As such, an economic motive for challenging a patent claim does not itself raise abuse of process issues. We take no position on the merits of short-selling as an investment strategy other than it is legal, and regulated.”

Decision Denying Sanctions Motion IPR2015-01092 (September 25, 2015) at 3.

IPR2015-01092

“We hold that Congress did not limit *inter partes* reviews to parties having a specific competitive interest in the technology covered by the patents.”

Decision Denying Sanctions Motion IPR2015-01092 (September 25, 2015) at 4.

IPR2015-01092

“The AIA was designed to encourage the filing of meritorious patentability challenges, by any person who is not the patent owner, in an effort to further improve patent quality. In the Motion, Patent Owner does not allege that Petitioner filed a non-meritorious patentability challenge.”

Decision Denying Sanctions Motion IPR2015-01092 (September 25, 2015) at 4-5, citing H.R. Rep. No. 112-98, pt. 1. at 85 (2011).

III. Order

In consideration of the foregoing, it is hereby

ORDERED that Patent Owner's Motions for Sanctions are *denied*.

Decision Denying Sanctions Motion IPR2015-01092 (September 25, 2015) at 5.

Ethics Topics

- Overview
- Sanctions
- Discussion of Specific Rules

Discussion of Specific Rules

The rules address various ethics aspects of trial practice before the PTAB:

- Disciplinary jurisdiction¹
- Competence and Decorum²
- Expedited Proceedings³
- Confidentiality of information⁴
- Candor toward the tribunal⁵
- Sanctions⁶

1- § 11.19; MR 8.5; **2-** § § 11.101; 11.305, 11.304(e); 11.305; 42.1(c) ; 42.10(c); MR 1.1; **3-** § § 11.102; 11.303; 42.1(b); **4-** § § 11.106; **5-** § § 11.303; 42.8 ; 2.51(b)(iii); 42.73(d)(3); 42.104; **6-** 35 U.S.C. § § 316 and 326; § 42.12.

Disciplinary Jurisdiction

- “A person not registered or recognized to practice before the Office is subject to the disciplinary authority of the Office **if the person provides or offers to provide** any legal services before the Office.”
- Under what circumstances would “*offers to provide*” invoke disciplinary action?

R. 11.19. See *a/so* Model Rule 8.5 (an attorney may be subject to disciplinary authority of both the Office and another jurisdiction for the same conduct).

Disciplinary Jurisdiction

- The Office has disciplinary authority over *pro hac vice* applicants in PTAB trials.
- Motions for *pro hac vice* admission require a showing of good cause and a representation under oath of “**no sanctions or contempt citations** imposed by any court or administrative body.”

R. 11.19(a); Order Authorizing Motion for *Pro Hac Vice* Admission 37 CFR 42.10, *Motorola Mobility LLC v. Patent of Michael Arnouse*, Case No. IPR2013-00010 (October 15, 2012).

Disciplinary Jurisdiction

The Office has **denied pro hac vice admission** where counsel violated a protective order in related litigation:

Versata's motion and Mr. Cole's

declaration do not address or mention the district court's finding of **a pattern of protective order violations** in the related litigation for which Mr. Cole was lead counsel.

Decision, Versata Motion for Pro Hac Vice Admission, *SAP America, Inc. v. Versata*, Case No. CBM2012-00001 (November 6, 2012).

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Competence and Decorum

- The new rules add a requirement for “**scientific and technical knowledge**” relative to the corresponding ABA Model Rule.
- Lead counsel in a PTAB proceeding must be a practitioner registered with the Office, but requirement can be waived for good cause, but only for backup counsel.

R. 11.101; 37 CFR 42.10(c); see *also* Model Rule 1.1 wherein “Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation.”

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Competence and Decorum

Decorum is a centerpiece of the new PTAB:

*“Decorum. Every party must act with **courtesy and decorum in all proceedings** before the Board, including in interactions with other parties.”*

37 CFR 42.1(c).

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No “Rambo Lawyering”

“A practitioner shall not . . . in a proceeding before a tribunal, allude to any matter that the practitioner does not reasonably believe is relevant . . . or state a personal opinion as to the justness of a cause, the credibility of a witness, the culpability of a civil litigant”

R. 11.304(e); ABA Model Rule 304; see also *Welcome Home Rambo: High Minded Ethics and Low Down Tactics in the Courts*, 25 Loy. L. Rev. 81 (1991).

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Expedited Proceedings

PTAB trials require the “just, speedy, and inexpensive resolution of every proceeding.”

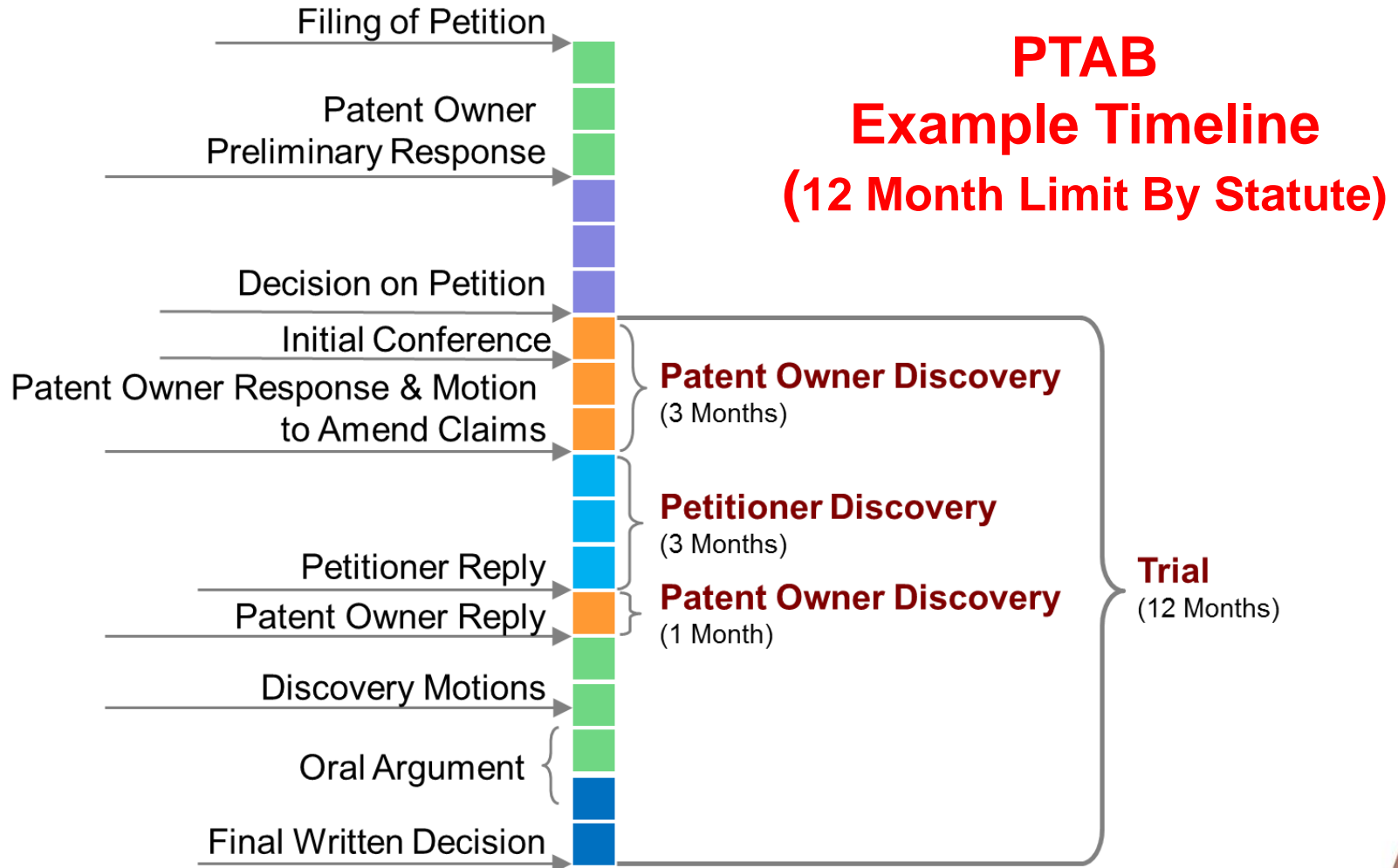
The rules echo this:

“A practitioner shall make **reasonable efforts to expedite proceedings** before a tribunal consistent with the interests of the client.”

37 CFR 42.1(b); R. 11.302.

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Expedited Proceedings



Rules of Practice for Trials, 77 Fed. Reg. at 48,757.

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Confidentiality

Tension may arise between an attorney's **confidentiality** obligations and the requirement to comply with the **duty of disclosure** before the Office.

R. 11.106(a) & (c).

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Confidentiality

- “A practitioner **shall not reveal** information relating to the representation of a client unless the client gives informed consent.”

but

- “A practitioner **shall disclose** to the Office information necessary to comply with the applicable duty of disclosure provisions.”

New Candor Requirements

§ 42.11 Duty of Candor

Parties and individuals involved in a proceeding have a **duty of candor and good faith** to the Office during the course of a proceeding.

R. 42.11 and R. 11.303.

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Inequitable Conduct ?

- “Proceedings, not being applications for patents, are **not subject to § 1.56**”
- However, a candor violation meeting *Therese*’s “but-for materiality” may result in a court finding of unenforceability
- Candor violations may also result in disciplinary action or sanctions

Rules of Practice for Trials, 77 Fed. Reg. at 48,638; R. 11.303(e); R. 42.12.

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New Candor Requirement

Inconsistent Information

§ 42.51 Discovery

[A] party must serve **relevant information that is inconsistent** with a position advanced by the party during the proceeding[.]

R. 42.51(b)(1)(iii).

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New Candor Requirements

Inconsistent Information

During rulemaking, commenters expressed **concern over the potential scope** of the requirement to serve evidence of prior “inconsistent” positions.

Public Comments

“[i]t is questionable how any large organization could search through its employees’ files and emails to discover information inconsistent with a position taken during the proceeding.”

Comments on proposed rules by Intel Corporation (Apr. 9, 2012), *available at* www.uspto.gov/aia_implementation/comment-intel.pdf.

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Public Comments

“Conflicts will arise with respect to a party’s subjective determination that a piece of information is not inconsistent with a previous position it has taken (and thus not disclosed in the first place).”

Comments on proposed rules by Association of Corporate Counsel, at 6 (Apr. 9, 2012), *available at* http://www.uspto.gov/aia_implementation/comment-acc.pdf.

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Public Comments

“[T]he mere failure to disclose the information will be heavily scrutinized by third parties and asserted as a basis for inequitable conduct or misconduct.”

Comments on proposed rules by Association of Corporate Counsel, at 6 (Apr. 9, 2012), *available at* http://www.uspto.gov/aia_implementation/comment-acc.pdf.

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New Candor Requirements

Inconsistent Information

- Responsive to these concerns, the final rule:
 - excludes anything protected by legally recognized privileges; and
 - applies to only “inventors, corporate officers, and persons involved in the preparation or filing of documents in the proceeding.”

See 37 CFR 42.51(b)(1)(iii) and Rules of Practice for Trials, 77 Fed. Reg. 48639 (Aug. 14, 2012).

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New Candor Requirements

Related Matters

§ 42.8 Mandatory Notices

(2) *Related matters.* Identify any other judicial or administrative matter that would affect, or be affected by, a decision in the proceeding.

R. 42.8 (b); See also, R. 42.104(a)/204(a) Grounds for Standing certification that petitioner is not barred or estopped from requesting the proceeding.

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New Candor Requirements

Real Party-In-Interest

§ 42.8 Mandatory Notices

(1) *Real party-in-interest.* Identify each real party in interest for the party.

R. 42.8 (b); See also, R. 42.104(a)/204(a) Grounds for Standing certification that petitioner is not barred or estopped from requesting the proceeding.

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New Candor Requirements

Real Party in Interest

When does a party—not named as a participant—nonetheless constitute a “real party in interest”?

See Mandatory Notice requirements of 37 CFR 42.8 and Office Patent Trial Guide, 77 Fed. Reg. 48759-60 (Aug. 14, 2012).

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New Candor Requirements

Real Party in Interest

“A party that funds and directs and controls an IPR or PGR proceeding constitutes a ‘real party in interest’ even if that party is not a ‘privy’ of the petitioner.”

See 37 CFR 42.8 and Office Patent Trial Guide, 77 Fed. Reg. 48759-60 (Aug. 14, 2012).

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New Candor Requirements

Inconsistent Actions

§ 42.73 Judgment . . .

“A patent applicant or owner is precluded from taking **action inconsistent** with the adverse judgment, including obtaining in any patent . . . a claim that is **not patentably distinct** from a finally refused or cancelled claim[.]”

R. 42.73(d)(3).

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Thomas Kelton is a partner with Haynes and Boone in Richardson and a member of the firm's post-issuance proceedings practice and patent prosecution practice. He has an electrical engineering degree from Texas A&M University and focuses his practice on conducting *inter partes* reviews on behalf of computer and software companies. He focuses the other half of his practice on helping clients protect their intellectual property through obtaining patents on their inventions.

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David McCombs is a partner with Haynes and Boone in Richardson and a member of the firm's post-issuance proceedings practice and patent prosecution practice. He is a primary counsel for many leading corporations in *inter partes* reviews, reexamination, and concurrent patent litigation in the federal courts and before the U.S. Patent Office's Patent Trial and Appeal Board. David has a Physics degree from Denison University and represents clients in diverse technologies that include electronics, semiconductors, software, telecommunications and energy equipment.

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