

Ethics for Patent Practitioners From Application to Appeal

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1,700
attorneys



22
offices



50+
practices



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Ethical Rules and Regulations

These Patent lawyers should be aware of the following rules:

- We will be discussing rules that apply to U.S. patent practitioners (lawyers and agents)
- Who is a Patent Practitioner?
 - Registered patent practitioners are individuals who have **passed the USPTO's registration exam** and **met the qualifications to represent patent applicants before the USPTO.**
 - » Registration is intended to ensure practitioners are qualified for the benefit of the public
 - > An individual will not be registered to practice before the USPTO unless he or she possesses the legal, scientific, and technical qualifications necessary for him to render applicants valuable service. 37 CFR § 11.7
 - » Former examiner may have the registration exam requirement **waived**.
 - » Qualifications:
 - > At least a **bachelor's degree** in scientific or technical discipline from an accredited US college or university
 - > Demonstrate **equivalent training** through hours of scientific or technical **coursework** with a grade of C- or better
 - > Demonstrate **practical engineering or scientific experience** and passing the relevant **fundamentals of engineering (FE) exam**
 - The Office of Enrollment and Discipline (OED) administers the registration exam and investigates grievances filed against registered practitioners
 - Registration is intended to ensure practitioners are qualified for the benefit of the public
 - » An individual will not be registered to practice before the USPTO unless he or she possesses the legal, scientific, and technical qualifications necessary for him to render applicants valuable service. 37 CFR § 11.7

Patent lawyers should be aware of the following rules:

- United States Patent and Trademark Office (USPTO) Rules of Professional Conduct (37 C.F.R. § 11)
 - In many ways **the rules track the ABA's Model Rules of Professional Conduct**, but the USPTO rules do not incorporate certain ABA Rules that are inapplicable to patent practice.
 - » The Rules were recently amended to align more closely with the ABA Model Rules.
 - » The amendments became effective on June 25, 2021.
 - Applies to practice before the Office, which includes any proceeding before the Patent Trial and Appeal Board (PTAB). (37 C.F.R. § 11.5(b)(1)).
- PTAB Practice Rules (37 C.F.R. § 42)
 - Governs proceedings before the PTAB.
 - Including all phases of the post-grant proceedings: (1) *inter partes* review (IPR), (2) post-grant review (PGR), and (3) transitional post-grant review for covered business methods (CBM) (sunsetting September 16, 2020)
- Local rules of professional responsibility
 - Except in situations where state regulation is preempted by the USPTO rules, patent attorneys are subject to the rules of both the USPTO and the state where the attorney is licensed to practice.

USPTO Rules of Professional Conduct: Implied Certifications When Filing Papers

- The filing of any paper with the USPTO constitutes a certification that:
 - To the best of the practitioner's knowledge, **all statements are true**;
 - All statements are made with the **knowledge of the penalties** for knowingly and willingly concealing a material fact or making false representations;
 - The paper is not being presented for an improper purpose;
 - The legal contentions therein are warranted by existing law or are nonfrivolous;
 - The allegations and other **factual contentions have or are likely to have evidentiary support**; and
 - Denials of factual contentions are warranted on the evidence. (37 C.F.R. § 11.18)
- Violations could result in striking the offending paper, discipline before the Office of Enrollment and Discipline (OED), and/or other sanctions.

USPTO Rules of Professional Conduct: Duty of Candor and Good Faith

- **Duty to disclose** to the Office all information that is material to patentability (37 C.F.R. § 1.56)
 - Information is **material to patentability** if it establishes a *prima facie* case of unpatentability or refutes, or is inconsistent with, a position taken in the application.
 - Is the information **material**?
 - » YES: information relating to a pending claim that forms a **prima facie case of unpatentability**; or **refutes or is inconsistent** w/ the applicant's position re: patentability
 - » NO: information that is **cumulative** of information already before the PTO, an **information that is unknown** to the applicant or patent practitioner
- **Duty of candor** towards the tribunal (37 C.F.R. § 11.303)
 - Practitioner shall not knowingly make or fail to correct a false statement, fail to disclose controlling legal authority, or offer evidence that is false.
 - Also includes the duty to disclose known material information in ex parte proceedings and proceedings before the Office.
- Important considerations:
 - The duty of disclose is an affirmative duty
 - The duty of disclosure can supersede the duty to maintain client confidences
 - Violations can result in an **unenforceability finding** or **OED discipline**
 - The duty applies to all individuals associated with the filing or prosecution of a patent application (lawyers, agents, and applicants)

Recent Updates to the USPTO Rules of Professional Conduct

- According to the USPTO, the most recent rulemaking in June this year:
 - “[A]ligns the USPTO Rules of Professional conduct more closely with the American Bar Association (ABA) Model Rules of Professional Conduct[,]” and
 - “[I]mproves clarity in existing regulations to facilitate the public’s compliance, including revising
 - » Various deadlines,
 - » The procedures concerning the registration exam,
 - » Provisions related to the revocation of an individual’s registration or limited recognition in limited circumstances, and
 - » Provisions for reinstatement.”
- Additions to 37 C.F.R. § 11.106
 - 11.106(b)(7): Permits the disclosure of client information “to the extent the practitioner reasonably believes necessary . . . (7) To detect and resolve **conflicts of interest** arising from the practitioner’s change of employment or from changes in the composition or ownership of a firm, but only if the revealed information would not compromise the practitioner-client privilege or otherwise prejudice the client.”
 - 11.106(d): Practitioners “shall make **reasonable efforts to prevent the inadvertent or unauthorized disclosure** of, or unauthorized access to, information relating to the representation of a client.”

Recent Updates to the USPTO Rules of Professional Conduct

- Narrows the definition of prospective client under 37 C.F.R. § 11.118.
 - Changes a **prospective client** from someone who “discusses” becoming a client to someone who “consults” with the practitioner about becoming a client.
 - » (a) “A person who **consults** with a practitioner **about** the possibility of forming a client-practitioner relationship with respect to a matter is a prospective client.” This change narrows the definition of “prospective client”
- Changes made to 37 C.F.R. § 11.702
 - **Advertising**: Advertising must include “name and contact information” rather than “name and office address.”
 - **Referral Fees**: Nominal gifts are now expressly permitted to someone who refers clients to a practitioner, as long as they are “neither intended nor reasonably expected to be a form of compensation for recommending a practitioner’s services”
 - **Representations re: Certification**: In order for a practitioner to state or imply that he or she is “certified as a specialist in a particular field of law,”
 - » (1) The practitioner must have been “certified as a specialist by an organization that has been approved by an appropriate authority of a State or that has been accredited by the [ABA],” and
 - » (2) The name of the certifying organization must be clearly identified in communication.
- Changes made to 37 C.F.R. § 11.703
 - **Solicitation**: Makes changes to the meaning of “solicitation” and when it is appropriate.
 - » Including expanding prohibited solicitation beyond just “prospective clients” to anyone.

II. Overview of OED Disciplinary Process

Grounds for OED discipline:

- Convictions of a serious crime;
- Discipline on ethical or professional misconduct grounds imposed in another jurisdiction;
- Disciplinary disqualification from participating in or appearing before any Federal program or agency;
- Failure to comply with any order of a Court disciplining a practitioner, or final decision of the USPTO Director in a disciplinary matter;
- Violation of USPTO Rule of Professional Conduct; or
- Violation of the oath or declaration taken by the practitioner. (37 C.F.R. § 11.19)

OED investigations generally follow this pattern:

1. Preliminary screening (37 C.F.R. §11.22(d))
2. Requests for information (37 C.F.R. §11.22(f))
3. Investigation and opportunity to respond (37 C.F.R. §11.22(a))
4. Submission to Committee in Discipline (37 C.F.R. §11.32)

Preliminary Screening

- OED staff review allegations
- Staff may gather additional information
- Accused is not informed at screening phase
- Staff has discretion to close matter
- Usually completed within 60 days of complaint

Request for Information

- Staff requests information from accused
 - Information may be requested from the grievant, practitioner, or any person who may reasonably be expected to provide information
- Accused may tell their side of the story
- Staff generally allows 30 days to respond
- Response by accused rarely resolves issue at this stage

Thorough investigation

- Broader fact gathering
- May include outreach to non-grieving clients under 37 C.F.R §11.22(f)(2)
- Legal analysis
- May take months to complete

Submission to Committee on Discipline

- At end of phase three OED may
 - Close investigation
 - Issue an informal warning
 - Settle with accused
 - Convene Committee and assess probable cause to file full 37 C.F.R. §11.32 action
- Decision generally reached within 10 months of complaint
- Ensuing disciplinary proceeding is full administrative action and trial with right of appeal to USPTO Director

OED Disciplinary Process: Warnings vs. Formal Discipline

Formal discipline

- Formal discipline = public discipline
- Sanctions include:
 - Exclusion from practice before the Office;
 - Suspension from practice before the Office;
 - Reprimand or censure; or
 - Probation. 37 C.F.R. § 11.20(a).
- Conditions may be imposed as well
 - Condition reinstatement upon the practitioner making restitution, successfully completing a professional responsibility course or examination, or any other condition deemed appropriate. 37 C.F.R. § 11.20(b).

Warnings

- Warnings are not public, nor are they a disciplinary sanction. 37 C.F.R. § 11.21.
- But, warnings may require disclosure for *Pro Hac Vice*

OED Disciplinary Process: Reciprocal Discipline – A Different Ball of Wax

Process follows different track if practitioner has already been disciplined by another jurisdiction:

- Must report censure, reprimand, probation, suspension, disbarment to OED Director within 30 days
- OED does monitor disciplinary decisions
- Matter goes directly to 37 C.F.R. §11.34 proceeding
- Accused is then presented with order to show cause why “identical” punishment should not be imposed by USPTO
- BEWARE: USPTO does not always follow “identical” restriction

- As of May 2021, there have already been six warning letters issued, 15 published formal matters, and 5 instances of reciprocal discipline this year.
 - For the past three years, reciprocal actions have been somewhat on the decline
 - Since 2017, nearly two thirds of actions result in only a warning
- Patent attorneys are the biggest offenders by over 50%
 - In 2021, 10 patent attorneys have been involved in disciplinary matters, compared to two patent agents and three trademark attorneys



Myriad Misconduct at the USPTO

- Neglect
- Dishonesty, Fraud, Deceit, Misrepresentation
- Fee-Related Issues
- Unauthorized Practice of Law

- Failure to reply to Office actions
- Failure to communicate with client
 - Duty to reply to client inquiries
 - Duty to report Office communications
- Failure or delay in filing patent application
- Failure to revive or assist in reviving abandoned applications
- Failure to turn over files to new representative

Categories of USPTO Misconduct: Dishonesty, Fraud, Deceit, Misrepresentation

- Concealing information from client, e.g.,
 - Date of Office action
 - Date of abandonment
 - Reason for abandonment
 - Misrepresenting to client status of abandoned application as pending
- Making false or misleading statements to USPTO, e.g.,
 - In advocacy before examiners, TTAB, PTAB
 - To revive abandoned application
 - To obtain extension of time for reply
 - In response to an OED inquiry

- Repeated failure to reply to fee-related Missing Parts
- Failure to return client's advanced fees
- Improper commingling of client's advanced legal fees with practitioner's funds
- Checks returned or EFTs dishonored for insufficient funds
- Failure to disclose fee escrow and business relationship with invention development companies
- Charging excessive interest on unbilled fees

Categories of USPTO Misconduct: Unauthorized Practice of Law

- Non-attorneys practicing before the Office in TM matters
 - Patent agents practicing before the Office in TM matters
- Unregistered individuals practicing before the Office in patent matters
 - Excluded or suspended attorneys/agents practicing before the Office in patent matters
- Foreign attorneys practicing before the Office in Patent or TM matters
- Patent agents practicing state law

- Factors considered in levying punishment:
 - Seriousness of offense
 - Cooperation
 - Remorse
 - Prior bad acts

- Stealing from a non-profit organization (D2012-19)
- Charging clients for work you did not do (D2014-10)
- Pretending to be a lawyer (D2014-11)
- In-house counsel charging client for work done by phantom law firm (D2015-19)
- Pattern of conduct including non-payment of fees, misrepresentations in applications, neglect in prosecution, comingling of funds (D2014-41)

- Suspended for having non-practitioners draft applications and neglecting to inform the client of payment arrangement (D2018-27)
- Suspension, MPRE, and 12 hours of ethics CLE for failing to communicate with clients and not obtaining informed consent (D2018-44)
- Reprimand and probation for sending overly official-looking trademark renewal notices (D2015-15)
- Suspension/probation for inadequate supervision and allowing assistant to sign papers (D2014-13)
- Public reprimand for *ex parte* contact with PTAB judge (D2014-2)
- Sloppy docket management and client communications leading to missed dates and abandoned applications
 - Five year suspension (D2012-30)
 - Public reprimand (D2012-4)
- Representing inventors with conflicting interests (D2014-29)

Compare:

Exclusion for allowing five applications to go abandoned
against client wishes

(D2015-22)

To:

Six month suspension for lying to clients about the status of
applications, neglect leading to abandonment of other
applications, unauthorized practice of law

(D2015-23)

In the Matter of Leslie A. Thompson

- Thompson's former client filed a disciplinary complaint, alleging that he failed to file her provisional patent application and stopped communicating with her after she paid him his legal fees and filing fees.
- Thompson then (1) delayed in responding to Disciplinary Counsel's inquiry letter about the complaint, (2) failed to respond to a subpoena *duces tecum* for his client file and financial records, and (3) failed to comply with a court order compelling a response to the subpoena.
- On Oct. 18, 2018, the D.C. Court of Appeals suspended Thompson's license to practice law in the District of Columbia for 30 days, with his reinstatement to be conditioned on a showing of fitness.
- On Aug. 23, 2019, Thompson was reciprocally disciplined by the USPTO.

In the Matter of Renuka Rajan

- Rajan was the attorney of record before the USPTO on many pending trademark applications and registrations, and prepared and reviewed trademark documents in connection with these matters.
- Non-practitioner assistant employees of her law firm impermissibly signed client names to USPTO trademark filings.
 - USPTO Trademark Manual of Examining Procedure requires all electronic signatures to be entered by the person identified as the signatory, and not by anyone else.
- Rajan relied on her law firm's representations that (1) the assistants' managers were ensuring that they obtained the clients' electronic signatures, and (2) that the law firm was notifying clients and the USPTO about material misrepresentations in the improperly signed documents.
- Rajan also did not adequately respond to Requests for Information from the USPTO about the matter.

In the Matter of Renuka Rajan

- Rajan's conduct violated the USPTO Rules of Professional Conduct:
 - 37 C.F.R. 11.103 (practitioner shall act with reasonable diligence and promptness in representing a client)
 - 37 C.F.R. 11.503(b) (practitioner's responsibility over non-practitioners assisting practitioner)
 - 37 C.F.R. 11.104(a) and (b) (communications with the client)
 - 37 C.F.R. 11.303(a)(1), (a)(3), (b), (d) (candor toward the USPTO)
 - 37 C.F.R. 11.804(c) (misrepresentation)
 - 37 C.F.R. 11.804(d) (conduct prejudicial to the USPTO trademark registration process)
- Rajan took responsibility for her conduct, left her law firm, contacted clients regarding the impermissible signatures, filed corrected documents with the USPTO, and will cooperate with future investigations of the firm.
- On Sept. 5, 2019, the USPTO publicly reprimanded Rajan and ordered her to serve a 12 month probationary period, with possible suspension in the event of future violations of the Rules of Professional Conduct.

- Williams allegedly entered the electronic signatures of her clients on various documents related to trademark applications.
- This conduct violated the USPTO Rules of Professional Conduct and guidance from the USPTO Trademark Manual of Examining Procedure.
- On June 29, 2017, the Supreme Court of the State of Louisiana suspended Williams from practicing law in Louisiana for one year and one day, with a two-year period of unsupervised probation.
- On Nov. 7, 2018, Williams was reciprocally disciplined by the USPTO.
- While she was not authorized to practice before the USPTO, Williams prepared and filed a number of trademark applications and related documents.
- Williams did not inform all of her clients she was ineligible to practice before the USPTO; she informed some because she erroneously believed her clients could consent to her representation despite her lack of authority to practice before the USPTO.

In the Matter of Lenise R. Williams

- Williams' conduct violated the USPTO Rules of Professional Conduct:
 - 37 C.F.R. 11.104(a)(2) (failing to reasonably consult with the client about the means by which the client's objectives are to be accomplished)
 - 37 C.F.R. 11.104(a)(3) (failing to keep the client reasonably informed about the status of the matter)
 - 37 C.F.R. 11.104(a)(5) failing to consult with the client about any relevant limitation on the practitioner's conduct when the practitioner knows that the client expects assistance not permitted by the USPTO Rules of Professional Conduct or other law
 - 37 C.F.R. 11.104(b) (failing to explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation)
 - 37 C.F.R. 11.116(a)(1) (failing to withdraw from representation of a client if the representation will result in violation of the USPTO Rules of Professional Conduct or other law)
 - 37 C.F.R. 11.505 (engaging in the unauthorized practice of law in trademark matters)
 - 37 C.F.R. 11.804(c) (engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation)
 - 37 C.F.R. 11.804(d) (engaging in conduct that is prejudicial to the administration of justice)
 - 37 C.F.R. 11.804(i) (engaging in other conduct that adversely reflects on the practitioner's fitness to practice before the USPTO)

Falsefully Signing Documents on Client's Behalf

In the Matter of Lenise R. Williams

- As a result, on Sept. 20, 2019, USPTO issued an order permanently excluding Williams – with her consent – from practice before the USPTO in trademark and other non-patent matters.



Violating Duty of Candor

In the Matter of David J. Furtado

- In the course of his representation of two marijuana dispensaries, Furtado allegedly opened two Wells Fargo bank accounts for his clients, which were operating legally in Colorado.
- The State of Colorado sanctioned Furtado for violating his duty of candor to Wells Fargo by not informing the bank that the accounts were opened on behalf of marijuana dispensaries, despite knowing this was against Wells Fargo's policies.
- Furtado stipulated that he violated Colorado Rule of Professional Conduct 8.4(c), which prohibits conduct involving dishonesty, fraud, deceit or misrepresentation.
- Because Furtado was publicly disciplined on ethical or professional grounds by the State of Colorado, the USPTO ordered that Furtado be publicly censured.

IV PTAB and USPTO Practice Pitfalls

- Protective order violations
- Failure to disclose competing claim construction positions, evidence or arguments
- Inequitable conduct
- Real party-in-interest identification (PTAB)

One World Technologies, Inc. v. Chervon (HK) Ltd., IPR2020-00884 (PTAB April 22, 2021)

- Facts: The parties were engaged in parallel IPR and district court proceedings that involved the same parties, the same counsel and law firms, and issues concerning the same patents.
 - As part of the IPR proceeding, the patent owner took the petitioner’s corporate president’s deposition, then the **petitioner designated the transcript as confidential** and filed it under seal in the IPRs.
 - The patent owner agreed to be bound by the **PTAB’s default Protective Order (PO)**—A party “will use the confidential information only in connection with this proceeding and for no other purpose”
 - The patent owner produced a copy of the transcript in the district court litigation and designated it the highest level of confidentiality.
 - After petitioner noted patent owner’s violation of the PO, patent owner subsequently deleted the confidential transcript and replaced it with a redacted version.
 - The petitioner moved for sanctions in the IPRs.
- Holding: The Board found that the patent owner violated the PO by producing the transcript in the parallel district court action.
 - The Board held that the information was **used for a purpose other than the IPR**, which was a violation.
 - **Deterrence**: The Board held that sanctions would deter others from violating the PO.
- Punishment:
 - Required the petitioner to (1) withdraw the unredacted transcript, (2) identify individuals who had access or received protected information, (3) include the timing of access or receipt, and (4) identify any individuals that agreed to be bound by the PO.

- RPX Corporation v. Applications In Internet Time, LLC (IPR2015-01750, Paper 58)
 - Proceeding was governed by the “default protective order” which allows “Other Employees of a Party” to access confidential information “only upon agreement of the parties or by order of the Board”
 - Patent Owner allowed access to Petitioner’s confidential information to:
 - » 1) An attorney involved in a litigation with the same patent but a different defendant; and
 - » 2) The CFO of a different NPE that was considered to be an “advisor”
 - The Board found the protective order violation (along with other conduct) as sanctionable conduct
 - Attorney’s fees were awarded (around \$14k)
 - The court also required declarations by receiving parties describing scope and use of information, and promising that the information was destroyed and would not be used going forward

Facebook, Inc. v. Sound View Innovations, IPR2017-01002 (PTAB Sept. 5, 2017)

- In the Petition, Petitioner argued no claim construction was required, but **failed to disclose** that it was simultaneously arguing a different treatment of the terms before the district court: that claims recited means-plus-function limitations, requiring construction.
- “At the very least, Petitioner’s failure to inform us of its differing claim construction arguments before the district court raises the specter of **lack of candor**.”
- Holding: Institution denied

Orthopediatrics Corp. v. K2M, Inc. (PTAB Mar. 1, 2019)

- Petitioner argued that none of the terms needed construction, despite having argued that certain terms included means-plus-function language in a related litigation.
- The patent owner urged the Board to adopt the district court’s claim construction because Petitioner argued for that claim construction in the related litigation.
- Petitioner did not request further briefing with respect to claim construction.
- The Board stopped short of finding that Petitioner lacked candor, but did indicate that Petitioner had an obligation to address the district court’s claim construction.
 - “Petitioner should have known that the question of whether or not the limitations ... are means-plus-function limitations was likely to be at issue in this proceeding.”
- Holding: Institution denied

Belcher Pharmaceuticals, LLC v. Hospira, Inc. (Sep. 1, Fed. Cir. 2021)

- Facts: ANDA litigation involving Belcher patent for improved injectable epinephrine formulation w/ optimal pH. Hospira argued patent was **unenforceable** based on Belcher's Chief Science Officer's failure to disclose information that was included in Belcher's New Drug Application (NDA) and in communications with FDA made during the approval process.
- Materiality: The information was **but-for material** because information re: claimed pH range and level of impurities.
 - Failed to disclose known 3rd party formulations using the claimed pH range, and representations to the FDA stating that the claimed range was "old," but told Examiner claimed range was "critical."
- Intent to deceive: There was **clear and convincing evidence of intent**. Was an active participant in the FDA approval process, understood the actions undertaken during that process, and made false statements to the Examiner despite knowing about the prior art.
- Holding: District court's finding of unenforceability affirmed.



- **Real parties-in-interest (RPIs)** must be identified to disclose conflicts of interest, ensure compliance with the one-year time bar of 35 U.S.C. § 315(b), protect patent owner's from serial petitions, and determine to which parties the **estoppel provisions** of Section 315(e) will attach—grounds “raised or reasonably could have raised”.
- *Proppant Express Investments, LLC v. Oren Technologies, LLC* (PTAB Feb. 13, 2019)
 - Petition must identify all RPIs and will not be accorded a filing date until it satisfies this requirement
 - In looking to whether a petitioner can amend its identification of RPIs while maintaining the original filing date, the Board looks to whether there have been:
 - » (1) attempts to circumvent the § 315(b) bar or estoppel rules,
 - » (2) bad faith by the petitioner,
 - » (3) prejudice to the patent owner caused by the delay, or
 - » (4) gamesmanship by the petitioner.
- What is an RPI?
 - There is **no brightline rule** for what “real party in interest” means. Federal Circuit: the inquiry should be interpreted broadly and expansively.
 - The Board uses a fact intensive multi-factor test that considers the relationship of the parties, interests in the challenging the patent, control of the IPR, and others
 - Penalties for omitting an RPI could be severe
- RPX and Unified Patents members

- Atlanta Gas Light Co. v Bennett Regulatory Guards (IPR2015-00826 Paper 39)
 - During the IPR, the petitioner (Atlanta Gas Light) became a wholly owned subsidiary of the Southern Company
 - Did not file an updated mandatory notice
 - PTAB board found that the failure to disclose the corporate merger was an attempt to preserve the ability to file another IPR as The Southern Company
 - Terminated proceeding, and denied rehearing on the basis that not all parties-in-interest had been identified in the petition
 - In a later filed proceeding between the same parties concerning a different patent, PTAB declined to terminate but awarded limited costs and fees

In PTAB depositions thou shalt not:

- Make speaking objections
- Coach the witness (with exceptions)
- Instruct not to answer (with exceptions)
- Examine beyond scope of direct (with exceptions)

v How Not To Stand Out In Litigation

- Applicable rules:
 - Look to the District and Appellate Court's local rules, which may incorporate the ABA's Model Rules and/or the relevant state rules of professional conduct, and at the very least are persuasive.
- Rules that are especially relevant at this stage:
 - Rule 1.1: Competence
 - » "A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for representation."
 - Rule 1.3: Diligence
 - » "A lawyer shall act with reasonable diligence and promptness in representing a client."
 - » Comment [4]: "if a lawyer has handled a judicial or administrative proceeding that produced a result adverse to the client and the lawyer and the client have not agreed that the lawyer will handle the matter on appeal, the lawyer must consult with the client about the possibility of appeal before relinquishing responsibility for the matter."
 - Rule 8.2: Judicial and Legal Officials
 - » "A lawyer shall not make a statement that the lawyer knows to be false or with reckless disregard as to its truth or falsity concerning the qualifications or integrity of a judge, adjudicatory officer or public legal officer, or of a candidate for election or appointment to judicial or legal office."
 - Rule 3.3: Candor Toward the Tribunal
 - » Attorneys should make sure to double check their facts and update legal research throughout the duration of the appeal.

“The court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 USC § 285

Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S. 545 (2014)

- “An ‘exceptional’ case . . . is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.”

Checkpoint Sys., Inc. v. All-Tag Security S.A., 858 F.3d 1371 (Fed. Cir. 2017)

- “The legislative purpose behind § 285 is to prevent a party from suffering a ‘gross injustice’”
- “The exercise of discretion in favor of [awarding attorney fees] should be bottomed upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees.”

The Line Between Zealous Advocacy and Sanctionable Misconduct

- Prolonged and unnecessary litigation
- Increased costs
- Waste of judicial resources
- Refusing to comply with court orders
- Failure to appear in court
- Untimely or procedurally non-compliant papers
- Excessive motion practice with “no legitimate purpose”
- Misrepresentations
- Intentional stalling tactics
- Deceptive acts such as concealing material information

Exceptional Case Decisions: *Blackbird Tech LLC v. Health in Motion LLC* (Fed. Cir. 2019)

Background:

- Blackbird sued Appellees for patent infringement.
- During the litigation, Blackbird offered to settle multiple times and even offered a “walk-away” settlement where Appellees would receive a license to the patent for zero dollars and the case would be dismissed.
- Appellees declined all offers to settle.
- Appellees then filed a motion for summary judgment, which Blackbird opposed.
- After the motion was fully briefed, and without notifying Appellees in advance, Blackbird filed a notice of voluntary dismissal with prejudice and executed a covenant not to sue.
- The District Court authorized Appellees to “seek to recover their costs, expenses, and/or attorney[] fees.”
- Subsequently, Appellees were granted \$363,244 in attorney fees and expenses.

Exceptional Case Decisions: *Blackbird Tech LLC v. Health in Motion LLC* (Fed. Cir. 2019)

Federal Circuit:

- On appeal, the Federal Circuit held that the District Court did not abuse its discretion in concluding that this case was “exceptional” under 35 U.S.C. § 285.
- The District Court determined that Blackbird’s case was “exceptional because it [stood] out from others with respect to both the **substantive strength of Blackbird’s litigation position** and the **unreasonable manner in which the case was litigated** by Blackbird.”

Lack of Substantive Strength in Blackbird’s Litigation Position:

- “When challenged on the merits, Blackbird raised flawed claim construction and infringement contentions and ultimately did not prevail on the merits because Blackbird dismissed its claim with prejudice”

The Manner in Which Blackbird Litigated:

- The District Court determined that Blackbird’s case was “exceptional because Blackbird litigated in an unreasonable manner.”
 - » Blackbird made a series of settlement offers that were significantly less than the cost of litigation.
 - » Blackbird delayed in producing documents, withheld many documents until after depositions and failed to produce other responsive documents.
 - » Blackbird unreasonably filed a notice of dismissal, covenant not to sue and motion to dismiss without notifying Appellees.

Exceptional Case Decisions: *Optis Wireless Tech, LLC v. Huawei Device USA, Inc.* (E.D. Tex. 2019)

Background

- PanOptis sued Huawei for patent infringement, alleging that Huawei infringed patents that are “essential” to the LTE cellular communications standard. These patents are known as “Standard Essential Patents” (“SEPs”).
- PanOptis requested declaratory judgment (“Count IX”) affirming that it had complied with its obligation to offer a license to its SEPs on fair, reasonable and non-discriminatory terms (“FRAND”).
- Huawei raised five FRAND affirmative defenses alleging that PanOptis violated its commitments.
- PanOptis’ claims were bifurcated into a jury trial and a bench trial, with the declaratory action set for a bench trial.
- During the jury trial, Huawei “vigorously asserted its FRAND affirmative defenses”
- After jury deliberations, Huawei dropped its FRAND affirmative defenses, arguing the Court lacked subject matter jurisdiction over Count IX.
- The jury returned a verdict in favor of PanOptis.
- PanOptis then moved for a finding of exceptionality and an award of attorneys’ fees under 35 U.S.C. § 285.

Exceptional Case Decisions: *Optis Wireless Tech, LLC v. Huawei Device USA, Inc.* (E.D. Tex. 2019)

Huawei's actions were "nothing less than rank gamesmanship that crossed the line of zealous advocacy."

- Huawei represented to the Court that there was a pressing need for a bench trial on Count IX.
- Nonetheless, Huawei dropped its FRAND defenses just prior to the bench trial, "reap[ing] the full benefits of its FRAND affirmative defenses during the jury trial and "drop[ping] them like a hot rock"
- The Court stated that this conduct was "clearly calculated to divest the Court of jurisdiction" . . . And at the same time deprive PanOptis the opportunity to pursue its declaratory claim that it had complied with its FRAND obligation."

Huawei would not commit to refraining from this conduct in the future.

- When asked whether Huawei would engage in this conduct in the future, its counsel stated: "I don't know what will happen in the future."
- Further, when asked, counsel did not deny that their actions were planned tactics "but merely apologized"

Holding: Huawei's litigation conduct merited a finding of exceptional case status. The Court granted PanOptis' motion for attorneys' fees.

- Background:
 - Plaintiff, a pro se litigant, brought claims for patent infringement against Huawei Technologies Co., Ltd.
 - Early in the case, the parties jointly moved for an agreed protective order that provided that certain types of information be designated as "attorneys' eyes only." This designation limited what the plaintiff could review.
 - After the plaintiff filed infringement contentions, Huawei sent a Rule 11 safe-harbor letter to assert the infringement claims were baseless, provide information, and request that the plaintiff hire an attorney.
 - Still, plaintiff filed repeated motions to amend complaint and contentions and to compel access to information designated attorneys' eyes only.

- Background, continued:
 - During a hearing on the motions, the court stayed the case to provide the plaintiff with time to obtain counsel, which the plaintiff did not do.
 - In the meantime, plaintiff filed several more motions to compel and motions to amend complaint and contentions that were identical to the motions the court had previously denied. The court again denied the motions.
 - Plaintiff then filed a separate suit alleging infringement by Huawei of the same patents and moved to consolidate the cases.

- Huawei's Fee Request:
 - Huawei moved for summary judgment of noninfringement, which the court granted. Huawei also moved for fees and expert costs under 35 USC § 285 submitting declarations that:
 - » "[The plaintiff] repeatedly contacted Huawei's in-house counsel about settlement, despite Huawei's counsel's repeated instructions to [the plaintiff] not to do so . . . [and the plaintiff] had stated that he sued Huawei because he believed the case would quickly settle for \$1.5 million, that he did not want to share revenue with a lawyer, and that he would continue filing motions to force Huawei to incur legal fees."

- Ruling:
 - The district court awarded Huawei attorneys' fees and costs of \$604,036.71.
 - The plaintiff appealed to the Federal Circuit.
 - In addition to upholding the summary judgment ruling, the Federal Circuit upheld the award for attorney fees and expert costs:
 - » "[P]ro se plaintiffs have been held liable for attorneys' fees simply because their patent infringement actions had no evidentiary basis, even without similar litigation misconduct as in this case."

- Background:
 - The Federal Circuit threw out a \$51 million attorney fee award for a patent infringement case.

 - The Federal Circuit agreed that the case was litigated in an unreasonable manner for several reasons, including improperly paying witnesses. However, the court found that the lower court failed to show a connection between the fees and the misconduct:
 - » “Even if Rembrandt’s misconduct, taken as a whole, rendered the case exceptional, the district court was required to establish at least some ‘causal connection’ between the misconduct and the fee awardWhat the district court did here — award all fees with no explanation whatsoever of such a causal connection — was not enough.”

- Factual Background

- Patents directed to the recovery of oil from a dry mill ethanol plant's byproduct
- The inventors informed their attorney of in-house tests but did not tell them about a July 2003 proposal offering the sale of their system to Agri-Energy.
- A provisional application was filed in August 2004 with a priority date of August 17, 2003.
- The prosecution was transferred to Cantor Colburn in 2008. The application was withdrawn a letter was filed with the USPTO stating that in May 2004, testing of the process was performed. The July 2003 Proposal to Agri-Tech was not disclosed.
- In mid-2010, an inventor offered Agri-Energy a royalty-free license in exchange for "admitting the patent was valid" and a Cantor Colburn attorney sent Agri-Energy a letter asking it to "confirm" it never received drawings or diagrams of the proposed system in 2003 and that the system was provided for experimental use.
- In November 2010, Cantor Colburn filed a declaration with the USPTO stating that the July 2003 Proposal did not violate the on-sale bar.
- The patents were issued on August 30, 2011.

GS CleanTech Corp. v. Adkins Energy LLC, **951 F.3d 1310 (Fed. Cir. 2020)**

- District Court

- “[C]oncluded that the undisputed contemporaneous evidence supports only one conclusion, that the on-sale bar applies and invalidates the Patents-in-Suite because the claimed invention was the subject an offer for commercial sale and it was ready for patenting.”
- The district court further “concluded that CleanTech knew of the claimed invention’s offer for sale and reduction to practice in the summer of 2003, as well as that information’s materiality” and **“that the Inventors and their attorneys intentionally withheld material information from the USPTO** during prosecution of the Patents-in-Suit, thereby rendering the Patents-in-Suit unenforceable due to inequitable conduct.”
 - » CleanTech knew the July 2003 Proposal to Agri-Energy threatened its chances of obtaining a patent.
 - » The Inventors and the attorneys at Cantor Colburn withheld evidence of successful testing in 2003 and made false representations by implying the invention was not reduced to practice until 2004.
 - » CleanTech and Cantor Colburn “threatened” Agri-Energy to coerce its support regarding the critical date for the Patents-in-Suit.
 - » The Inventors and Cantor Coburn made a “patently false” statement in a declaration by claiming the July 2003 Proposal was delivered to Agri-Energy after the critical date.
 - » The Inventors’ and Cantor Colburn’s failure to correct the false declaration was “strong evidence of intentional deceit.”

Federal Circuit

- The Federal Circuit agreed with the district court that the July 2003 proposal was a “sale on approval.”
- Cantor Colburn attorneys and their client intentionally deceived the USPTO.
- In June 2020, the Federal Circuit denied a petition for rehearing en banc.

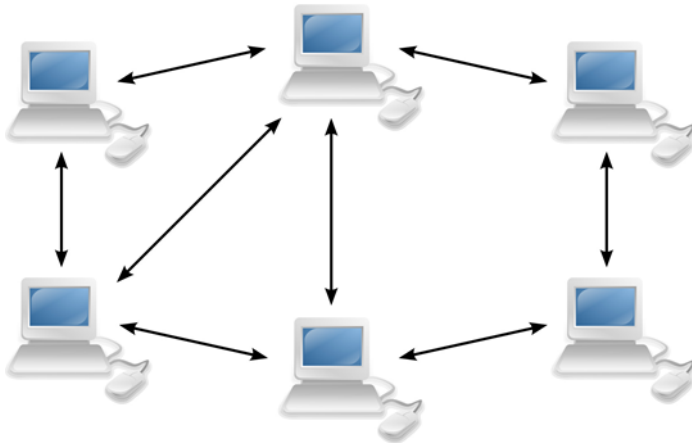
Concerns

- Experts are concerned that this decision was based on hindsight and creates risks for attorneys.
- Places a burden on attorneys to corroborate what they are told by clients, lest they be found liable for inequitable conduct.
- Going forward, careful records should be kept by practitioners to show that they properly counseled their clients on their duty of disclosure and their duty of candor to the USPTO.

Route1 Inc. v. AirWatch LLC, 17-CV-331 (KAJ), (D. Del. Apr. 23, 2020)

Factual Background

- Patent directed to a means for remote computing access using peer-to-peer communication over a communication network.
- The specification stated:
 - The “host ... send[s] a handshake to [the] remote”
 - The “remote ... receives the handshake from [the] host”



Route1 Inc. v. AirWatch LLC, 17-CV-331 (KAJ), (D. Del. Apr. 23, 2020)

- The Court granted summary judgment against Route1 because it “had a weak case for infringement” and because of “the contradictory positions Route1 took at the PTO and before [the Court].”
 - “Route1 cannot have it both ways. It is improper to secure issuance of claims by arguing that they are limited to host-initiated connections, only to turn around and argue in litigation that those claims are not so limited and to assert broad infringement theories.”
 - Route1 secured patentability by arguing that the prior art reference “teaches that the remote *takes the initiative*” and in litigation, argued the opposite – that the “prosecution says nothing about how the host establishes a connection to the remote, nor does the prosecution state—or suggest—that the host must somehow initiate a connection to the remote.”
- The District Court awarded \$1.7 million in attorneys fees after finding the case “**exceptional**.”
 - “Route1’s construction was more than just weak. It was illogical”
 - In addition, its contradictory positions “tip Route1’s case into the exceptional category”

Thank you for attending!

Skadden

Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates