



Ethics for Patent Practitioners: From Application to Appeal (CLE)

Tuesday September 28,
2021 5:30 pm – 7:00 pm
1 CLE Ethics Credit
on Zoom

Agenda

- I. Introduction (5 minutes)
- II. Ethics for Patent Practitioners (60 minutes)
- III. Q & A (25 mins)

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Ethics For Patent Practitioners: From Application To Appeal (CLE)

September 28, 2021

Speakers



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CASES

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ATLANTA GAS LIGHT COMPANY,
Petitioner,

v.

BENNETT REGULATOR GUARDS, INC.,
Patent Owner.

Case IPR2015-00826
Patent 5,810,029

Before JENNIFER S. BISK, MIRIAM L. QUINN, and
PATRICK M. BOUCHER, *Administrative Patent Judges*.¹

BOUCHER, *Administrative Patent Judge*.

DECISION

*Patent Owner's Request for Rehearing and
Patent Owner's Motion for Sanctions
37 C.F.R. §§ 42.12, 42.71*

¹ Judge James B. Arpin has taken no part in this decision due to recusal.

On August 20, 2016, we issued a Final Written Decision holding that, based on a preponderance of the evidence, claims 1–8 of U.S. Patent No. 5,810,029 (Ex. 1001, “the ’029 patent”) are unpatentable. Paper 31 (“Dec.”). Bennett Regulator Guards, Inc. (“Patent Owner”) filed a Request for Rehearing of that Final Written Decision. Paper 33 (“Req. Reh’g”). Pursuant to our authorization, Patent Owner also filed a Motion for Sanctions against Atlanta Gas Light Company (“Petitioner”). Paper 35 (“Mot.”). Petitioner opposed the Motion (Paper 36, “Opp.”), and Patent Owner replied (Paper 38, “Reply”).

We deny the Request for Rehearing. We grant the Motion for Sanctions and award Patent Owner costs and fees incurred in association with this proceeding from the time after issuance of the Final Written Decision until the date of this Decision.

I. BACKGROUND

In 2012, Patent Owner filed a complaint in the Northern District of Ohio alleging infringement of the ’029 patent by Petitioner and a third party (“the district court proceeding”). Ex. 2002. On July 3, 2013, the district court dismissed Petitioner as a defendant for lack of personal jurisdiction. Exs. 1017, 2006. The parties agree that the dismissal was without prejudice. Pet. 2, Paper 6, 6.

On July 18, 2013, Petitioner filed a petition to institute an *inter partes* review of all claims of the ’029 patent in IPR2013-00453 (“the related IPR”). *Atlanta Gas Light Company v. Bennett Regulator Guards, Inc.*, Case

IPR2013-00453, Paper 4. Throughout the entire pendency of the related IPR, Petitioner was a direct, wholly owned subsidiary of AGL Resources, Inc. (“AGLR”). *Atlanta Gas*, slip op. at 2 (PTAB Jan. 6, 2015) (Paper 88) (citing related IPR, Ex. 2006, 4). After completion of briefing and an oral hearing in the related IPR, we found that AGLR was an unidentified real party in interest, and accordingly terminated the proceeding in accordance with 35 U.S.C. § 312(a)(2) (“A petition . . . may be considered only if— . . . the petition identifies all real parties in interest”). *Id.* at 13, 17.

On February 27, 2015, Petitioner filed its Petition to institute an *inter partes* review of all claims of the ’029 patent in IPR2015-00826 (“this proceeding”). Paper 1. The Petition asserts that “[t]he following entities are in privity with [Petitioner], but out of an abundance of caution, Petitioner also identifies them as real parties-in-interest: AGL Resources Inc. (holding company and direct or indirect parent company of [Petitioner] and the following entities), [and other entities].” *Id.* at 1.

On July 1, 2016 (i.e., between the time the oral hearing was held in this proceeding on May 27, 2016, and the time the Board issued its Final Written Decision on August 20, 2016), AMS Corp. (a wholly owned subsidiary of The Southern Company) merged with and into AGLR. Paper 34, 3. AGLR was the surviving corporation in the merger, which resulted in termination of the separate corporate existence of AMS Corp. and in AGLR becoming a wholly owned subsidiary of The Southern Company. *Id.* Following the merger, on July 11, 2016, AGLR effected a name change to become Southern Company Gas. *Id.* On September 20, 2016, after the

panel issued its Final Written Decision in this case, the Board ordered Petitioner to “file . . . an updated mandatory notice pursuant to 37 C.F.R. § 42.8(a)(3)” in response to a concern raised by Patent Owner that not all real parties in interest had been identified. Paper 32. In its updated mandatory notices, Petitioner asserted that

[t]he following entities are in privity with [Petitioner], but out of an abundance of caution, Petitioner also identifies them as real parties-in-interest: The Southern Company (parent company of Southern Company Gas f/k/a/ AGL Resources Inc.), Southern Company Gas f/k/a AGL Resources, Inc. (holding company and direct or indirect parent company of [Petitioner] and the following entities), [and other entities].

Paper 34, 4.

The original panel for this proceeding, as well as the panel for the related IPR, was composed of Judges Bisk, Arpin, and Boucher through the issuance of the Final Written Decision in this proceeding. Upon learning that The Southern Company may be a real party in interest, Judge Arpin recused himself from further participation. The Board substituted Judge Quinn, and the reconstituted panel has considered the issues discussed herein.

II. MOTION FOR SANCTIONS

The Board has authority to impose a sanction against a party for misconduct, including “[f]ailure to comply with an applicable rule or order in the proceeding.” 37 C.F.R. § 42.12(a)(1); *see* 35 U.S.C. § 316(a)(6). A motion for sanctions should address three factors: (1) whether a party has

performed conduct that warrants a sanction; (2) whether the moving party has suffered harm from that conduct; and (3) whether the sanction requested is proportionate to the harm suffered by the moving party. *See Square, Inc. v. Think Comput. Corp.*, Case CBM2014-00159, slip op. at 2 (PTAB Nov. 27, 2015) (Paper 48) (citing *Ecclesiastes 9:10-11-12, Inc. v. LMT Holding Co.*, 497 F.3d 1135, 1143 (10th Cir. 2007)). The burden is on the moving party to persuade the Board that a sanction is warranted. *Id.*

First, Patent Owner's contention that Petitioner failed to comply with the continuing obligation to notify the Board of changes in real parties in interest is predicated primarily on its position that "[The] Southern Company ("SC") has been a real party-in-interest since completion of a merger with AGLR on July 1, 2016." Mot. 1. Petitioner disagrees with that position and contends instead that The Southern Company is not a real party in interest because "it is an entirely separate corporate entity and has not controlled, funded, or had the opportunity to control or fund this IPR." Opp. 3. Petitioner also contends that AGLR's "name change [to Southern Company Gas] did not create a new entity or real party-in-interest." *Id.* at 4–5.

With respect to Southern Company Gas, Petitioner's assertion ignores the fact that Southern Company Gas did not result merely from a name change, but rather also from a merger with AMS Corp. that occurred before the name change. *See* Paper 34, 3. In the related IPR, the Board specifically found that AGLR is a real party in interest, and it follows that the merged entity is also a real party in interest. *Atlanta Gas*, slip op. at 13 (PTAB Jan. 6, 2015) (Paper 88). The merger with AMS Corp. has meaningful effects

that impose an obligation on Petitioner to apprise the Board that Southern Gas Company is a real party in interest. Petitioner's failure to file timely the updated mandatory notice is especially significant in light of the central nature that the issue of AGLR's status as a real party in interest played in the related IPR. *See Atlanta Gas*, Paper 87, 46:6–9 (“The problem that we have, and you will remember, we had to fight like tooth and nail to get these documents. At every turn there was an objection to producing documents related to the real party in interest issue or the privity issue.” (statement by Patent Owner at oral hearing in the related IPR)).

With respect to The Southern Company, we do not credit Petitioner's argument that The Southern Company is not a real party in interest in light of Petitioner's explicit notification to the contrary. Petitioner cannot have it both ways, identifying The Southern Company as a real party in interest (even “out of an abundance of caution”) to ensure compliance with 35 U.S.C. § 312(b), while simultaneously maintaining that it is *not* a real party in interest to evade the obligations of 37 C.F.R. § 42.8(a)(3).

In light of these various considerations, we conclude that Petitioner has performed conduct that warrants a sanction.

Second, Patent Owner has suffered harm as a result of Petitioner's conduct. Patent Owner contends that Petitioner “conceal[ed] [The Southern Company's] status as a real party in interest,” and thereby “attempted to preserve the ability to file another IPR petition in the event of an unfavorable Decision.” Mot. 1. Although this contention is speculative, particularly in its assignment of a specific motive to what Petitioner represents was

“inadverten[ce],” the contention is consistent with a theory maintained by Patent Owner throughout at least the related IPR regarding Petitioner’s failure to identify all real parties in interest. *See* Opp. 4; *see, e.g., Atlanta Gas*, Paper 55, 42 (“It would be unfair for a behind-the-scenes controlling party such as AGLR to conduct the IPR in the name of a subsidiary and then have the opportunity to initiate another IPR or a litigation defense based on arguments advanced, or possibly even not advanced, in the present IPR. The fundamental unfairness of having two bites at the apple is the basis for the requirement that all real parties-in-interest be identified in the Petition.”); Mot. 4 (“A similar, but far more egregious, situation has occurred in the present IPR. [Petitioner] did not identify [The Southern Company] as a new real party-in-interest upon completion of the merger, knowing that the Board’s Decision would be issued shortly thereafter. By not disclosing the results of the merger, [Petitioner] attempted to preserve the ability of [The Southern Company] to file another IPR petition if the Decision produced an unfavorable result.”). At the time Patent Owner learned of the merger and of the consequential potential for The Southern Company to be an unidentified real party in interest, it had not exhausted its avenues for further consideration by the Board, as reflected by its subsequent filing of a Request for Rehearing (Paper 33). The possibility thus existed that the Board would reverse or modify its Final Written Decision on rehearing, and prudent steps needed to be taken to ensure that estoppel provisions would be correctly applied.

Third, Patent Owner proposes that “[a]n appropriate sanction would be to expunge the Decision and the request for rehearing, dismiss the Petition with prejudice, and order [Petitioner] to pay compensatory expenses and attorney fees to [Patent Owner].” Mot. 5. We disagree that this proposed sanction is proportionate to the harm suffered by Patent Owner. In particular, as Petitioner contends, the harm suffered by Patent Owner is limited because “the estoppel provisions apply to the petitioner and ‘the real party in interest *or privy of the petitioner.*’” Opp. 6 (citing 35 U.S.C. § 325(e)(1)) (emphasis by Petitioner). There is no requirement that a petitioner identify all of its privies in a petition, and Patent Owner’s ability to address whether The Southern Company was a privy that would give rise to estoppel was not impacted by Petitioner’s original failure to file an updated mandatory notice.

Furthermore, “[a] sanction imposed under this rule *must be limited* to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated.” 37 C.F.R. § 42.11(d)(4) (emphasis added). We have considered, but are not persuaded by, Patent Owner’s argument that “[a]ny remedy short of termination with prejudice would encourage future petitioners to try to suppress the identification of real parties-in-interest.” Mot. 6. A more limited sanction will have sufficient deterrent effect.

We determine that an appropriate sanction, proportionate to the harm suffered by Patent Owner, is to award costs and fees incurred in association with this proceeding from the time after issuance of the Final Written Decision until the date of this Decision. 37 C.F.R. § 42.12(b)(6).

Accordingly, we authorize Patent Owner to file a Motion for Costs and Fees that includes specific information as to the total amount of costs and fees requested, details regarding the tasks performed underlying those fees, and reasons why the amounts of those fees are reasonable. Any privileged information may be redacted from billing information submitted with the Motion. The Motion must be filed no later than ten business days after entry of this Decision, and is limited to 1000 words.

III. RECUSAL

Sua sponte, we consider the impact of Judge Arpin's recusal in the context of Patent Owner's request for a sanction that vacates the Final Written Decision. We conclude that vacating the Final Written Decision is unwarranted.

In deciding whether to vacate a decision in light of a district-court judge's recusal, the following factors apply: (1) the risk of injustice to the parties in the particular case; (2) the risk that the denial of relief will produce injustice in other cases; and (3) the risk of undermining the public's confidence in the judicial process. *Shell Oil Co. v. United States*, 672 F.3d 1283, 1292 (Fed. Cir. 2012). We see no compelling reason not to apply parallel considerations in considering the impact of recusal by a judge of the Board.

First, there is no risk of injustice to the parties in allowing the Final Written Decision to stand. That Decision was rendered by a properly constituted panel because the recused judge was unaware of any potential

conflict at the time of the Decision. *See* 28 U.S.C. § 455(b)(4) (“He *knows* that he . . .”) (emphasis added). In addition, the reconstituted panel has considered the Final Written Decision anew and expressly adopts its findings and conclusions.

Second, there is minimal risk that allowing the Final Written Decision to stand will produce injustice in other cases because, as noted above, the sanction crafted herein will have sufficient deterrent effect.

Third, there is minimal risk that the public’s confidence in *inter partes* reviews will be eroded by allowing the Final Written Decision to stand because the Board has taken appropriate steps to ensure the integrity of the Decision by reconstituting the panel. In this context—and in fashioning an appropriate sanction—we are mindful that our duties in considering the patentability of claims on a fully developed record in an *inter partes* review extend not only to the parties involved in the proceeding, but to the public. *See generally* 35 U.S.C. § 317(a) (stating that the Office may proceed to a final written decision even when no petitioner remains in an *inter partes* review as a result of settlement).

IV. REQUEST FOR REHEARING

On rehearing, the burden of showing that the Decision should be modified lies with Patent Owner, the party challenging the Decision. 37 C.F.R. § 42.71(d). “The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where

each matter was previously addressed in a motion, an opposition, or a reply.”
Id.

A. The National Meter Reference

As noted in the Final Written Decision, “[t]he ’029 patent issued on a first-action allowance, and underwent an *ex parte* reexamination initiated by Patent Owner.” Dec. 5 (citing Ex. 1010). In its Response to the Petition, Patent Owner observed that “[t]he reexamination included . . . a National Meter reference entitled ‘Weather and Bug Proof Breather Vents,’” and argued that the inverted vent described in that reference “appears to be identical to [Peterson] ’087,” i.e., the reference involved in all of the bases on which we concluded the claims of the ’029 patent are unpatentable. Paper 16, 32 (citing Ex. 1010, 18); Dec. 34–49. Patent Owner asserts in its Request for Rehearing that it “argued that Peterson ’087 did not anticipate or make obvious the ’029 patent because the same or substantially the same prior art was considered by the PTO during reexamination.” Req. Reh’g 3 (citing Paper 16, 32–33, 38, 41, 43, 46, 49, 51, 54). Patent Owner presents the following argument:

The Board refused to consider the National Meter reference, implying that Bennett had waived consideration of this reference because it had not raised the issue in its Preliminary Response. . . . The Board relied on the provisions of 35 U.S.C. § 325(d), which authorizes the Board to take into account whether “the same or substantially the same prior art or arguments previously were presented to the Office.”

Id. (citing Dec. 37 n.5). Patent Owner contends that “[t]he Board’s refusal to consider the National Meter reference not only violates the [Administrative Procedures Act], but it also raises constitutional issues of denial of due process.” *Id.* at 5 (citing *Goldberg v. Kelly*, 397 U.S. 254 (1970)).

We are not persuaded by Patent Owner’s argument, which obscures the fundamental precept that the issue before us was whether claims of the ’029 patent are anticipated by Peterson ’087 or would have been obvious over the combination of Peterson ’087 and other cited references. Patent Owner was afforded full opportunity to address that issue and does not contend otherwise. Rather, Patent Owner presents a daisy-chained argument that an aspect of Peterson ’087 “appears to be identical” to an aspect of another reference considered during an *ex parte* reexamination and that we must, therefore, reach the same conclusion as the Examiner during reexamination. Such a position is untenable.

Even if Peterson ’087 itself had been before the Examiner during reexamination, rather than what Patent Owner believes to be a surrogate, that fact would not preclude us from conducting an independent evaluation of the teachings of Peterson ’087. *See, e.g., Microsoft Corp. v. Parallel Networks Licensing, LLC*, Case IPR2015-00483, slip op. at 14–15 (PTAB July 15, 2015) (Paper 10) (instituting *inter partes* review involving art previously considered by Examiner, noting that consideration of such art may be justified because *ex parte* nature of reexamination differs from adversarial nature of *inter partes* review). Patent Owner’s argument also improperly

conflates different aspects of *inter partes* review proceedings, which include separate institution and merits phases. *See Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652, 654 (Fed. Cir. 2015) (“Both IPR and CBMR proceed in two stages. In the first stage, the Director determines whether to institute IPR or CBMR. . . . In the second phase, the Board conducts the IPR or CBMR proceedings on the merits and issues a final written decision.”). During the institution phase, the Board, acting on authority delegated by the Director, may take into account whether “the same or substantially the same prior art or arguments previously were presented to the Office” in determining whether to institute the proceeding. 35 U.S.C. § 325(d). Patent Owner concedes that it made no such argument during the institution phase. Paper 30, 35:7–9.

Patent Owner’s conflation of distinct inquiries is especially evident from how it couched its argument in its Response that “[f]urther evidence that Peterson ’087 does not anticipate the claimed skirt assembly is found in the PTO’s consideration of the same or substantially the same reference during the 2002-03 reexamination.” *See* Paper 16, 32. In making that argument, even though the institution phase had concluded, Patent Owner cited § 325(d) for the proposition that “[i]n determining whether to institute an IPR, the Board is authorized to take into account whether ‘the same or substantially the same prior art or arguments previously were presented to the Office.’” *Id.* n.8.

Ultimately, Patent Owner’s arguments regarding the National Meter reference cannot trump an independent consideration of the art upon which

inter partes review was actually initiated. No matter how much the National Meter reference may “appear to be identical” to Peterson ’087, it is *not* identical, nor was it subject to the same kind of consideration by the Office during an *ex parte* proceeding as given in adversarial proceedings.

B. Claim Construction

The ’029 patent expired before the Final Written Decision was issued, and we accordingly construed the claims under principles similar to those used during a district court’s review. Dec. 22–34. Patent Owner contends that “[d]espite using the correct legal standard, the Board made erroneous claim construction rulings,” and that “[i]f the disputed claim terms are construed as requested by [Patent Owner], they result in the claims not being anticipated or obvious.” Req. Reh’g 9, 24. Patent Owner specifically contends that the Board failed sufficiently to discuss the evidence presented by Patent Owner and to provide an explanation for how the evidence supports the Board’s claim constructions. *Id.* at 11–21.

A central aspect of Patent Owner’s argument is its contention that “[c]laims are to be construed to preserve validity in the case of ambiguity.” *Id.* at 22 (citing *Innolux Corp. v. Semiconductor Energy Lab. Co., Ltd.*, Case IPR2013-00064, slip op. at 10 (PTAB Apr. 30, 2013) (Paper 11); Paper 16, 21; *Phillips v. AWH Corp.*, 415 F.3d 1303, 1327–28 (Fed. Cir. 2005) (en banc)). We disagree that this is a correct statement of law as applied to *inter partes* review proceedings.

The standard asserted by Patent Owner is rooted in 35 U.S.C. § 282, which states that “[a] patent shall be presumed valid.” While a presumption of validity is accordingly applied by district courts, the contention that § 282 must be applied in proceedings before the Office “miscontrues the purposes for which that statute [was] enacted.” *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985) (en banc). “A statute setting rules of procedure and assigning burdens to litigants in a court trial does not automatically become applicable to proceedings before the PTO.” *Id.*

Although *Etter* considered application of a presumption of validity in the context of reexamination proceedings, its reasoning equally applies to *inter partes* review proceedings in light of the Supreme Court’s explicit recognition that “the purpose of [an *inter partes* review] proceeding is not quite the same as the purpose of district court litigation.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131, 2144 (2016). “Although Congress changed the name from ‘reexamination’ to ‘review,’ nothing convinces us that, in doing so, Congress wanted to change its basic purposes, namely, to reexamine an earlier agency decision.” *Id.* In *Cuozzo*, the Supreme Court explicitly endorsed the Office’s use of the broadest-reasonable-interpretation standard for unexpired patents by analogy with reexamination proceedings; it logically follows by the same analogy that the Office’s use, in reexamination proceedings, of a claim construction standard similar to that used by district courts, but without a presumption of validity, applies to *inter partes* review proceedings.

In addressing the specific claim constructions of the Final Written Decision, Patent Owner places particular focus on construction of “diaphragm-type gas pressure regulator,” “outside gas pressure regulator,” and “valve means,” “because the manner in which these claim terms are construed affects the manner in which other claim terms are construed.” Req. Reh’g 12. In addressing these terms, Patent Owner contends that it “provided substantial analysis of the ’029 specification and drawings, as well as extrinsic evidence, to support its claim construction positions and for the proposition that the ’029 patent disclosed and claimed only a Fisher S254 high pressure, internally relieved regulator outdoors.” *Id.* (citing Paper 16, 13–19, “and the evidence referenced therein”). Patent Owner further contends that “[a]t oral argument, [Patent Owner’s] counsel emphasized that one skilled in the art would recognize that the regulator disclosed in the ’029 patent could only be a Fisher S254 regulator, citing the deposition testimony of [its expert,] Mr. Oleksa.” *Id.* On this basis, Patent Owner continues to seek claim constructions that read in limitations not recited explicitly in the claims, namely “high pressure,” “internally relieved,” and “located outdoors.” *Id.* Patent Owner makes similar arguments that seek to incorporate unrecited limitations into the construction of other terms. *Id.* at 15–21.

Although we agree with Patent Owner in the abstract that the “ordinary and customary meaning” standard applied to expired patents requires that evidence be viewed through the eyes of one of ordinary skill in the art, Patent Owner stretches that principle too far. *See id.* at 9–10. “[A]

claim construction analysis must begin and remain centered on the claim language itself.” *Innova/Pure Water, Inc. v. Safari Water Filtration Systems, Inc.*, 382 F.3d 1111, 1116 (Fed. Cir. 2004). Patent Owner asks us to deviate far from this cardinal principle by incorporating features of the Fisher S254 regulator that are not recited in the claims themselves, under circumstances in which the Fisher S254 regulator is not explicitly identified as such anywhere in the specification of the ’029 patent. “Reading a claim in light of the specification, to thereby interpret limitations explicitly recited in the claim, is a quite different thing from reading limitations of the specification into a claim, to thereby narrow the scope of the claim by implicitly adding disclosed limitations which have no express basis in the claim.” *In re Prater*, 415 F.2d 1393, 1404–05 (CCPA 1969). This is particularly the case when the standard we are obliged to apply does not afford Patent Owner a presumption of validity of the patent’s claims.

For these reasons, we are not persuaded that we misapprehended or overlooked any aspect of Patent Owner’s claim-construction arguments. Nor are we persuaded that Patent Owner’s evidence in support of those arguments was inadequately considered.

C. Preclusive Effects of the District Court Proceeding

In the Final Written Decision, we concluded that the Petition was not barred under 35 U.S.C. § 315(b), which provides: “An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or

privity of the petitioner is served with a complaint alleging infringement of the patent.” Dec. 13–20. Although Petitioner was served with a complaint alleging infringement of the ’029 patent, its dismissal without prejudice for lack of personal jurisdiction nullified the effect of that service as it relates to § 315(b). *Id.* at 14 (“When considering the statutory bar under § 315(b), the Board has consistently held that dismissal without prejudice of a party from district-court litigation nullifies the effect of service on that party of the underlying complaint.”). Patent Owner takes issue with the portion of our analysis that explained that “[t]he Federal Circuit has characterized the effect of dismissals without prejudice as ‘leaving the parties as though the action had never been brought,’ thereby restoring the ability of the parties to pursue courses of action available to them before the action had been brought.” *Id.* at 16 (citing *Graves v. Principi*, 294 F.3d 1350, 1355–56 (Fed. Cir. 2002); *Bonneville Assocs., Ltd. P’ship v. Barram*, 165 F.3d 1360, 1364 (Fed. Cir. 1999)).

In particular, Patent Owner contends that “[t]he Board overlooked Bennett’s arguments and evidence concerning the preclusive effects of the Ohio suit that do not ‘[leave] the parties as though the action had never been brought[.]’” Req. Reh’g 25 (citation omitted). Patent Owner sets forth a number of preclusive effects that flow from the district court proceeding before Petitioner’s dismissal, including burden-of-proof effects on decided jurisdictional issues, a bar against refiling an infringement action against Petitioner in Ohio, and the impact of admissions made by the parties during the district court proceeding. *Id.* at 25–26. Patent Owner expresses

particular concern that the Final Written Decision gave effect as admissions to certain statements made in preliminary claim-construction positions advocated in the district court proceeding. *Id.* at 26–30.

We are not persuaded by Patent Owner’s arguments. Patent Owner merely observes that the district court proceeding impacts the positions that can be sustained by the parties in other proceedings, including this IPR proceeding, and that it may have other effects. But as we explained in the Institution Decision, the Federal Circuit’s characterization of the effect of dismissals without prejudice as leaving the parties as though the action had never been brought “is, of course, a legal fiction—the initiation of even procedurally defective proceedings have certain effects, and the Federal Circuit’s statement is understood properly as referring to the restored ability of parties to pursue courses of action available to them before the action had been brought.” Paper 12, 13. It is neither the case that a dismissal without prejudice somehow erases admissions by the parties involved so that those admissions can never be considered elsewhere, nor that a petitioner must show an utter absence of effects flowing from a prior district-court proceeding for the nullification of the effect of service to attach.

We thus disagree with Patent Owner’s characterization that “the Board estopped Bennett from asserting claim constructions different than those asserted in the Ohio suit.” Req. Reh’g 29. No estoppel has been applied; rather, the Final Written Decision merely took note of the inconsistency in positions as a factor in the Board’s determination that the claims were not properly construed as Patent Owner advocated. *See, e.g.,*

Dec. 28 (“Such a position [to incorporate ‘high pressure,’ ‘internally relieved,’ and ‘located outdoors’ into the construction of ‘valve means’] *also* appears to be inconsistent with the position taken by Patent Owner in the Ohio lawsuit under a similar claim-construction standard.” (emphasis added)).

Accordingly, we are not persuaded that we misapprehended or overlooked any matter related to the preclusive effects of the district court proceeding.

D. Summary

For the foregoing reasons, we deny Patent Owner’s Request for Rehearing.

III. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that Patent Owner’s Motion for Sanctions is *granted*;

FURTHER ORDERED that Patent Owner is awarded costs and fees incurred in association with this proceeding from the time after issuance of the Final Written Decision until the date of this Decision;

FURTHER ORDERED that Patent Owner is authorized to file, within ten business days of entry of this Decision and limited to 1000 words, a Motion for Costs and Fees that sets forth an accounting of amounts requested; and

IPR2015-00826
Patent 5,810,029

FURTHER ORDERED that Patent Owner's Request for Rehearing is
denied.

IPR2015-00826
Patent 5,810,029

PETITIONER

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PATENT OWNER

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United States Court of Appeals for the Federal Circuit

BELCHER PHARMACEUTICALS, LLC,
Plaintiff-Appellant

v.

HOSPIRA, INC.,
Defendant-Appellee

2020-1799

Appeal from the United States District Court for the
District of Delaware in No. 1:17-cv-00775-LPS, Judge
Leonard P. Stark.

Decided: September 1, 2021

PETER MCCREERY LANCASTER, Dorsey & Whitney LLP,
Minneapolis, MN, argued for plaintiff-appellant. Also represented by KENNETH LEVITT.

MATTHEW S. FREIMUTH, Willkie Farr & Gallagher LLP,
New York, NY, argued for defendant-appellee. Also represented by DEVON WESLEY EDWARDS, THOMAS J. MELORO.

Before REYNA, TARANTO, and STOLL, *Circuit Judges*.
REYNA, *Circuit Judge*.

This is an appeal from a decision of the U.S. District Court for the District of Delaware that U.S. Patent No. 9,283,197, which Appellant Belcher Pharmaceuticals, LLC asserted against Appellee Hospira, Inc. in a patent infringement suit under the Hatch-Waxman Act, is unenforceable for inequitable conduct. The district court concluded that Belcher's Chief Science Officer engaged in inequitable conduct by withholding material information from the U.S. Patent and Trademark Office during prosecution of the '197 patent with the requisite deceptive intent. For the reasons below, we affirm.

BACKGROUND

Epinephrine

Epinephrine (also called adrenaline) is a hormone as well as a grandfathered drug product that has been on the market since approximately 1938 and used for a variety of medical purposes. It has long been understood that epinephrine degrades in two ways pertinent to this appeal: racemization and oxidation. Racemization involves a change in the arrangement of a molecule around a "chiral center," such that levorotatory epinephrine ("l-epinephrine"), the more potent isomer, converts to dextrorotatory epinephrine ("d-epinephrine"), the less potent isomer. Oxidation involves a change in a compound's chemical composition due to reaction with oxygen or other oxidizing agents. Oxidation of l-epinephrine yields adrenalone, which is deemed an impurity in l-epinephrine drug products.

A handbook for pharmacists published in 1986 explained that, in l-epinephrine solutions, there is an inverse relationship between racemization and pH and a proportional relationship between oxidation and pH. See KENNETH A. CONNORS ET AL., CHEMICAL STABILITY OF PHARMACEUTICALS: A HANDBOOK FOR PHARMACISTS 438–47 (John Wiley & Sons 2d. ed. 1986) [hereinafter Connors] (J.A. 1335–46). In other words, when an epinephrine

solution becomes more acidic (i.e., pH decreases), racemization increases and oxidation decreases, and when the solution becomes more basic (i.e., pH increases), oxidation increases and racemization decreases. *Id.* Accordingly, Connors taught that “there is an optimum pH at which racemization and oxidation can be balanced to minimize loss of intact drug by these two routes; this is approximately pH 3.0-3.8.” *Id.* at 441.

Belcher’s NDA

On November 30, 2012, Belcher Pharmaceuticals, LLC (“Belcher”) submitted New Drug Application (“NDA”) No. 205029 for a 1 mg/mL injectable l-epinephrine formulation. J.A. 1559, 1562. The NDA was literature-based, meaning that Belcher did not perform any clinical or non-clinical studies on its epinephrine formulation to support its application. J.A. 1560. The NDA described the development of Belcher’s formulation. It first discussed Swiss company Sintetica SA’s (“Sintetica”) “original formulation” of 1 mg/mL injectable l-epinephrine, which Sintetica developed in the 1930s and registered in Switzerland in 1947. J.A. 1564–65. The formulation included sodium metabisulfite as an antioxidant preservative and about a 10 percent overage¹ of epinephrine to ward off activity loss, and it had a pH range of 2.2 to 4.0. J.A. 1565–66. The manufacturing process involved a continuous flow of nitrogen gas to remove oxygen and thereby enhance stability. J.A. 1566.

According to the NDA, in the early 2000s, market demand shifted to epinephrine formulations that did not include “preservatives and sulfites,” which had been found to cause side effects. J.A. 1566. The NDA explained that

¹ An overage refers to an added amount of the active ingredient or excipient compared to what is described in the product’s label.

“[t]he switch was very simple” and involved increasing the sodium chloride concentration and increasing the epinephrine overage from 10 percent to 15 percent. J.A. 1566–67. The NDA described the new composition as having a pH range of 2.8 to 3.3. J.A. 1567. Given the removal of the sulfite antioxidant, “careful attention was paid to the nitrogen purge during the whole process” to maximize stability in the absence of the antioxidant. *Id.*

Belcher’s NDA named as reference product Sintetica’s preservative- and sulfite-free 1 mg/mL epinephrine formulation manufactured for the U.S. market by American Reagent Laboratories, Inc. J.A. 1575. Belcher submitted data from four batches of the reference product, made from November 2002 to April 2003, for validation of the product’s stability. J.A. 1578–82. This data showed that the batches included overages of 10 to 15 percent and maintained, over a 24-month period, a pH range of 3.1 to 3.3, and undetectable levels of the impurity adrenalone. J.A. 1578–82. According to Belcher, this data met U.S. Pharmacopeia (“USP”) specifications, including the requirement for a pH between 2.2 and 5.0. J.A. 1578; *see also* J.A. 1595.

Belcher’s NDA also described the sterilization process and the “in[-]process pH” value. J.A. 1584–95. Belcher explained that lowering the in-process pH from a range of 2.8 to 3.3 (called “old”) to a range of 2.4 to 2.6 (called “new”), when coupled with effective removal of oxygen using a nitrogen purge, “reinforces the manufacturing process robustness and reproducibility” and “reduces the impact of possible residues of oxygen in the solution.” J.A. 1595.

On February 7, 2013, the U.S. Food and Drug Administration (“FDA”) sent a letter to Belcher asking for certain additional information, including (i) “data that support evaluation of [the] drug product for potential racemization from manufacturing process conditions and over the shelf life,” and (ii) clarification on whether the Sintetica batches on which Belcher relied for stability validation were

manufactured in the same way as that proposed for marketing. J.A. 1483. Belcher forwarded the letter to Sintetica asking for assistance in responding to the FDA's requests. J.A. 1481.

Belcher responded to the FDA on March 8, 2013. Addressing the FDA's question on racemization, Belcher explained that "[r]acemization of the enantiomerically pure L-Epinephrine isomer in injectable formulations of epinephrine is a well-known process," citing literature authored by Fylligen² and Stepensky.³ J.A. 1430. Responding to the FDA's inquiry on manufacturing process for the stability validation batches, Belcher stated that the only difference between the relied-upon Sintetica batches and Belcher's proposed formulation "is related to the in[-]process pH" and that it "consider[ed] the in[-]process pH change to be a very minor change not requiring additional stability studies." J.A. 1432. Belcher also explained that the release specification of 2.2 to 5.0 "complies with [the] USP specification and stays unchanged between all the batches." *Id.*

The FDA responded on October 4, 2013, asking Belcher to evaluate the effect of an in-process pH range of 2.4 to 2.6 on racemization. *Belcher Pharms., LLC v. Hospira, Inc.*, 450 F. Supp. 3d 512, 524 (D. Del. 2020). On October 17, 2013, Belcher's regulatory consultants, INC Research, recommended that Belcher revert to the 2.8 to 3.3 pH range shown in the Sintetica batch data because deviating from that range would delay the FDA's approval. *Id.*; *see also*

² G. Fyllingen et al., *Racemization and oxidation in adrenaline injections*, 2(5) ACTA PHARM. NORD. 355–62 (1990).

³ D. Stepensky et al., *Long-term stability study of L-adrenaline injections: kinetics of sulfonation and racemization pathways of drug degradation*, 93(4) J. PHARM. SCI. 969–80 (April 2004).

J.A. 668–69 (Trial Tr. 138:5–139:11). Belcher followed that advice. In its response to the FDA, Belcher stated that it had “refocused [its] studies on determining the effect of the in-process pH of 2.8 - 3.3 on the formation of d-epinephrine during each step of the manufacturing process, which was used to manufacture the 3 primary stability batches . . . provided in the NDA.” J.A. 1464. Belcher accordingly requested approval of the drug proposed in the NDA “with the exception[] of changing the [in-process] pH from 2.4 - 2.6 back to the initial pH of 2.8 - 3.3.” J.A. 1471. The FDA approved the NDA on July 29, 2015.

The ’197 Patent

On August 15, 2014, Jugal Taneja, Belcher’s CEO, filed U.S. Patent Application No. 14/460,845 (“845 application”), which issued as U.S. Patent No. 9,283,197 (“the ’197 patent”). J.A. 1003–27. The application was directed to certain epinephrine formulations and was entitled “More Potent and Less Toxic Formulations of Epinephrine and Methods of Medical Use.” J.A. 1016, 1025–27. Mr. Taneja later assigned the application to Belcher.

The patent describes the problem of l-epinephrine’s degradation and the resulting need for product overages and sulfite antioxidants, and it claims to provide an answer to this need. ’197 patent col. 2 ll. 50–59. According to the patent, an answer “seemed impossible” and “had never been accomplished before.” *Id.* at col. 4 ll. 31–35. The patent similarly states that the idea of raising the in-process pH above the range of 2.2 to 2.6 “was contradictory to one skilled in the art” before the claimed invention. *Id.* at col. 4 ll. 41–47. But “[i]nadvertently,” the patent states, “increasing the in-process pH to 2.8-3.3[] unexpectedly reduced the racemization of l-epinephrine to d-epinephrine at release by approximately two-thirds, from 14% to 5%, respectively.” *Id.* at col. 4 ll. 48–51. The inventor’s alleged discovery of raising the pH “led to new methods of manufacturing sulfite-free, l-epinephrine solution with an in-

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process pH of 2.8 to 3.3, approximately 3.0, which was a nonobvious solution to the problem of racemization. Most importantly, with these new methods, overages could greatly be reduced.” *Id.* at col. 4 ll. 55–59.

Claims 6 and 7 of the ’197 patent, which are at issue in this appeal, cover pharmaceutical epinephrine formulations having a pH between 2.8 and 3.3 and certain concentrations of l-epinephrine, d-epinephrine, and adrenalone at the time of release and 12 months later. These claims read as follows:

6. An injectable liquid pharmaceutical formulation of l-epinephrine sterile solution; said liquid pharmaceutical formulation having a pH between 2.8 and 3.3; said injectable liquid pharmaceutical formulation compounded in an aqueous solution as 1.0 to 1.06 mg/mL l-epinephrine, and further including a tonicity agent; said liquid pharmaceutical formulation including no more than about 6% d-epinephrine and no more than about 0.5% adrenalone at release, and no more than about 12% d-epinephrine and no more than about 0.5% adrenalone over a shelf-life of at least 12 months.

7. The said injectable liquid pharmaceutical formulation of claim 6 further having a concentration of 1 mg per mL l-epinephrine.

’197 patent col. 7 ll. 1–13.

The prosecution of the ’197 patent involved a single office action. On August 15, 2014, the examiner rejected the claims as obvious based on Canadian Patent Application No. 2002643 A (“Helenek”) in view of additional references. *See* J.A. 1042. Helenek, the examiner explained, taught a 1 mg/mL epinephrine injection that was free of preservatives and antioxidants, was made in an oxygen free (i.e., nitrogen) environment, and had a pH range of 2.2 to 5.0. J.A. 1042–43.

On November 5, 2015, Mr. Tajena’s counsel responded arguing that Helenek’s 2.2 to 5.0 pH range failed to render obvious the claimed range of 2.8 to 3.3 because the claimed range “was unexpectedly found to be critical by the Applicant to reduce the racemization of l-epinephrine.” J.A. 1073; *see also* J.A. 1074 (arguing that “[t]he Applicant has ‘[shown] that that [sic] the particular range is critical, generally by showing that the claimed range achieves unexpected results relative to the prior art range” (second alteration in original) (quoting *In re Woodruff*, 919 F.2d 1575, 1578 (Fed. Cir. 1990))).

On December 16, 2015, after holding an interview, the examiner withdrew the pending rejections, made an examiner’s amendment approved by the applicant, and allowed the patent. J.A. 1086–88, 1091. In discussing the reasons for allowance, the examiner explained that the cited art failed to render the claims unpatentable “in view of Applicant’s demonstration of criticality of a pH range between 2.8 and 3.3.” J.A. 1088. According to the examiner,

Applicant has demonstrated that pH range of between 2.8 and 3.3 is critical to prevent racemization of l-epinephrine [T]here is nothing in the prior art that would teach or suggest the instantly claimed pH range of between 2.8 and 3.3 would result in the limited racemization and impurities as instantly claimed.

Id.

The ’197 patent issued on March 15, 2016, and the FDA thereafter listed the ’197 patent for Belcher’s NDA No. 205029 in its publication called “Approved Drug Products with Therapeutic Equivalent Evaluations” (often referred to as the “Orange Book”). *Belcher*, 450 F. Supp. 3d at 518–19.

Procedural History

Hospira, Inc. (“Hospira”) submitted NDA No. 209359 to the FDA seeking approval of a 0.1 mg/mL injectable l-epinephrine formulation (“Hospira’s NDA product”). *Id.* at 518. Hospira’s NDA included a certification under 21 U.S.C. § 355(b)(2)(A)(iv) (commonly known as “Paragraph IV”) that the ’197 patent’s claims are invalid, unenforceable, and/or not infringed by Hospira’s NDA product. *Id.* at 519.

On June 16, 2017, Belcher sued Hospira for infringing the ’197 patent based on Hospira’s submission of its NDA seeking approval for its NDA product. *Id.* Belcher asserted claims 6 and 7. *Id.* The parties stipulated that Hospira’s NDA product did not literally infringe those claims. *Id.* The district court accordingly held a two-day bench trial in June 2019 on Belcher’s theory of infringement under the doctrine of equivalents, as well as Hospira’s affirmative defenses and counterclaims of non-infringement, invalidity, and unenforceability. *Id.* at 518–19.

The trial witnesses included Mr. Darren Rubin, Belcher’s Chief Science Officer. Mr. Rubin testified that he was a consultant for Belcher from 2010 to 2014 and became its Chief Science Officer in 2015. J.A. 675–76 (Trial Tr. 145:20–146:1). He holds degrees in biology, medical sciences, and business but is neither a registered patent agent nor an attorney. J.A. 675–76 (Trial Tr. 145:12–146:21). Within Belcher, Mr. Rubin was referred to as the head of intellectual property. *See, e.g.*, J.A. 2071. His job responsibilities included overseeing regulatory approval, product development, and working on intellectual property matters including patent application drafting, prosecution, and litigation. J.A. 675–76 (Trial Tr. 145:22–146:21). Mr. Rubin explained that he was involved in the development of Belcher’s NDA product and participated in drafting the NDA. *Id.*

Mr. Rubin also testified that he was involved in the prosecution of the '197 patent. He helped draft the application, including its claims and specification, and helped respond to the examiner's office action. J.A. 679 (Trial Tr. 149:13–19), 695 (Trial Tr. 165:14–22). In fact, he served as liaison between named inventor Mr. Taneja, Belcher's patent prosecution attorney, and the U.S. Patent and Trademark Office ("PTO"). J.A. 679–80 (Trial Tr. 149:13–150:18). He "project-managed everything" in that role, and "it all led to [him]." J.A. 680 (Trial Tr. 150:15–18). He prepared a response to the examiner's office action during the '197 patent's prosecution and "dug into the case law." J.A. 681–82 (Trial Tr. 151:21–152:4). In an email, he asserted that he "made sure" to get claim 6 allowed without a preservative-free or sulfite-free limitation. J.A. 2069–70.

Mr. Rubin testified that he possessed knowledge of certain facts pertinent to this appeal before and during the '197 patent's prosecution. For example, he knew of Sintetica's epinephrine formulations that had a pH range of 2.8 to 3.3 and that Belcher's NDA described that range as "old." J.A. 682 (Trial Tr. 152:5–19), 723–24 (Trial Tr. 193:5–194:15). Mr. Rubin also admitted that he knew of Stepensky before the '197 patent was filed. J.A. 705 (Trial Tr. 175:15–25). Indeed, Belcher cited Stepensky in two separate communications to the FDA during the approval process. J.A. 1430, 1472 n.5. Mr. Rubin had also sent Belcher's regulatory consultant an email attaching Stepensky and quoting a portion of it. *See* J.A. 1509–22.

Mr. Rubin also admitted that, by October 29, 2013, he possessed a label for a 1 mg/mL epinephrine product that a company named JHP had already introduced to the market. J.A. 711–12 (Trial Tr. 181:21–182:21). JHP's label described its epinephrine product as having a pH in the range of 2.2 to 5.0. J.A. 1503. Belcher also acquired three batches of the JHP product and sent them to Sintetica for testing, which showed that the JHP product had a pH within the

range of 2.8 to 3.3 (specifically 2.9, 2.9, and 3.1) at 15 months, i.e., three months before the expiration of its 18-month shelf life. J.A. 1523.

On March 31, 2020, the district court decided, among other things, that the '197 patent is unenforceable for inequitable conduct. Regarding materiality, the district court credited the testimony of Hospira's expert witness, Dr. Pinal, that each of the three pieces of information that Mr. Rubin withheld (JHP's product, Sintetica's product, and Stepensky) were but-for material to patentability because they disclosed two aspects of the asserted claims: the pH range and the impurity levels. *Belcher*, 450 F. Supp. 3d at 535, 547–48; J.A. 760–61 (Trial Tr. 230:19–231:10).

The district court also concluded that clear and convincing evidence demonstrated that Mr. Rubin acted with requisite intent to deceive the PTO. *Belcher*, 450 F. Supp. 3d at 550. The district court explained that Mr. Rubin knew of JHP's product, Sintetica's product, and Stepensky before and during the '197 patent's prosecution. *Id.* at 549–50. It also noted that Mr. Rubin was a key player in the FDA approval process as well as the '197 patent's prosecution. *Id.* at 548–50. From his dealings with the FDA, Mr. Rubin knew that Belcher described the claimed pH range of 2.8 to 3.3 as “old”; that Belcher disclosed Stepensky, which teaches an overlapping pH range of 3.25 to 3.70; that Belcher had submitted data on Sintetica's and JHP's products showing a pH within the claimed range; and that Belcher switched from a lower pH range to the claimed 2.8 to 3.3 pH range at least in part to expedite FDA approval because that range matched the pH range of Sintetica's products. *Id.*

But when dealing with the PTO, the district court explained, Mr. Rubin did not merely withhold this information but also used emphatic language to argue that the claimed pH range of 2.8 to 3.3 was a “critical” innovation that “unexpectedly” reduced racemization. *Id.* at 549–50.

The district court found implausible Mr. Rubin’s testimony at trial that he withheld JHP’s product, Sintetica’s product and Stepensky because he believed that they were irrelevant given their high overages. *Id.* at 548–50. The court further found that Mr. Rubin’s “repeated efforts to evade questioning and inject attacks of the prior art into his answers raised serious questions as to his credibility.” *Id.* at 549. The district court therefore concluded that the facts, taken together, persuaded it that Mr. Rubin’s deceptive intent was “the only reasonable inference that can be drawn.” *Id.* at 550. Belcher appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

STANDARD OF REVIEW

We review a district court’s determination of inequitable conduct under a two-tiered standard. Specifically, we review factual determinations of materiality and intent for clear error. *Star Sci., Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008). We further review the ultimate decision on inequitable conduct for an abuse of discretion. *Id.* An abuse of discretion occurs when the trial court’s decision is clearly unreasonable, arbitrary, or fanciful; when the court’s decision is based on an erroneous construction of the law; when the court’s factual findings are clearly erroneous; or when the record contains no evidence upon which the court rationally could have based its decision. *Larson Mfg. Co. of S.D. v. Aluminart Prods.*, 559 F.3d 1317, 1327 (Fed. Cir. 2009) (citation omitted).

DISCUSSION

Inequitable conduct is a defense to patent infringement that, if proven, renders the asserted patent unenforceable. *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1285 (Fed. Cir. 2011). “To prevail on an inequitable conduct defense, a defendant must establish both the materiality of the withheld reference and the applicant’s intent to deceive the PTO.” *Aventis Pharma S.A. v. Hospira, Inc.*, 675 F.3d 1324, 1334 (Fed. Cir. 2012).

Materiality

A prior art reference may constitute material information, even where the reference is not sufficient to invalidate the claim in district court, if the disclosure of the reference would have blocked the issuance of a patent under the PTO's evidentiary standards. *Aventis*, 675 F.3d at 1334 (quoting *Therasense*, 649 F.3d at 1292). Thus, prior art is but-for material information if the PTO would not have allowed a claim had it been aware of the undisclosed prior art. *Therasense*, 649 F.3d at 1291. “[T]he standard for establishing but-for materiality in the inequitable conduct context only requires a preponderance of the evidence, ‘giv[ing] claims their broadest reasonable construction.’” *Aventis*, 675 F.3d at 1334 (quoting *Therasense*, 649 F.3d at 1291–92).

Belcher does not challenge the district court's decision that the asserted claims are invalid as obvious based on, *inter alia*, JHP's epinephrine product, testing of which showed the product had a pH within the claimed range.⁴ See *Belcher*, 450 F. Supp. 3d at 545; Appellant's Br. 30 (“Belcher does not appeal the obviousness finding.”). Because that is the case, the product is “necessarily material to patentability.” *Aventis*, 675 F.3d at 1334; see also *Therasense*, 649 F.3d at 1276 (“[I]f a claim is properly invalidated in district court based on the deliberately withheld reference, then that reference is necessarily material because a finding of invalidity in a district court requires

⁴ The district court also found inequitable conduct based on the withholding of Stepensky and Sintetica's prior epinephrine product. *Belcher*, 450 F. Supp. 3d at 550–51. We do not recount the entire factual analysis performed by the district court, *TransWeb, LLC v. 3M Innovative Properties Co.*, 812 F.3d 1295, 1304 (Fed. Cir. 2016), but focus our analysis only on those aspects that are key to our decision.

clear and convincing evidence, a higher evidentiary burden than that used in prosecution at the PTO.”).

We further reject Belcher’s argument that the withheld art, including the JHP product, is immaterial because it is “cumulative” of Helenek’s disclosure of “epinephrine formulations with pH between 2.2 and 5.0, including epinephrine solutions with a pH range of 3.0 to 4.0.” Appellant’s Br. 54–55. Belcher’s argument is directly at odds with its argument during prosecution that the claimed range was “critical,” J.A. 1074, which is one way to circumvent obviousness when a claimed range overlaps with a range disclosed in the prior art, *see, e.g., E.I. DuPont de Nemours & Co. v. Synvina C.V.*, 904 F.3d 996, 1008 (Fed. Cir. 2018) (“[W]here there is a range disclosed in the prior art, and the claimed invention falls within that range, the burden of production falls upon the patentee to come forward with evidence of teaching away, unexpected results or criticality, or other pertinent objective indicia indicating that the overlapping range would not have been obvious in light of that prior art.” (internal citations and quotation marks omitted)). The examiner allowed the claims only after accepting Belcher’s criticality argument. J.A. 1088. The trial record later established that the JHP product had a pH within the alleged critical range of 2.8 to 3.3. Belcher’s alleged critical improvement over the prior art was therefore already within the public domain, just not before the examiner. As such, we see no clear error in the district court’s determination that this information would have been but-for material to patentability.

Intent

“To satisfy the intent requirement, ‘the accused infringer must prove by clear and convincing evidence that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it.’” *Aventis*, 675 F.3d at 1334–35 (quoting *Therasense*, 649 F.3d at 1290). “[I]nequitable conduct requires clear and

convincing evidence of a specific intent to deceive the PTO and that ‘the specific intent to deceive must be the single most reasonable inference able to be drawn from the evidence.’” *Aventis*, 675 F.3d at 1335 (quoting *Therasense*, 649 F.3d at 1290) (citation and quotation marks omitted).

The district court explained that, although there was no direct evidence of deceptive intent, the evidence of record persuaded it “clearly and convincingly[] that this is the only reasonable inference that can be drawn.” *Belcher*, 450 F. Supp. 3d at 550. The court specifically noted that Mr. Rubin was an active participant in the FDA approval process and understood that Belcher had stated to the FDA that the 2.8 to 3.3 pH range was an “old” range. *Id.* Mr. Rubin also understood that Belcher had reverted from its original pH range (2.4 to 2.6) to the 2.8 to 3.3 range because the latter range corresponded to the reference product made by Sintetica, and therefore using that range would expedite FDA approval. *Id.* When later drafting the patent application and through his communications with the PTO during prosecution, however, Mr. Rubin performed an about-face and emphatically and repeatedly advanced the position that the 2.8 to 3.3 pH range was a “critical” innovation contrary to the knowledge of a person of ordinary skill in the art that yielded “unexpected results,” namely reducing racemization of l-epinephrine. However, the district court found that this argument was “false” and a “fiction” because Mr. Rubin knew about the prior art’s teachings of that pH range. *Id.* at 549–50.

It is in this context that we consider Mr. Rubin’s withholding of the prior art, including the JHP product, that disclosed the pH range of 2.8 to 3.3. Mr. Rubin claimed at trial that he withheld the references because he believed that they were irrelevant—even though they directly undercut the most important patentability argument—because they were different from the asserted claims in certain respects, including their high overages. *Id.* at 550.

Belcher adopts this argument on appeal and contends that Mr. Rubin withheld the references not because he had deceptive intent, but because he genuinely believed that the withheld products, including the JHP product, were irrelevant given their high overages. Appellant's Br. 61, 63. Belcher appears to argue that while Mr. Rubin was acting in a "self-serving manner in order to . . . maintain an existing patent," *id.* at 63–64 (quoting *Chen v. Bouchard*, 347 F.3d 1299, 1309 (Fed. Cir. 2003)), that behavior by itself is not enough to establish that he had a deceptive intent. According to Belcher, the record provides corroboration that his mental state was a genuine belief about the irrelevance of the references, rather than a desire to deceive the PTO. Appellant's Br. 63–64.

In *Aventis*, we rejected similar post hoc rationales for withholding material prior art. *See* 675 F.3d at 1335–37. There we found no clear error in the district court's finding of intent where it "did not rely solely on its finding that [the inventor] was not credible but instead viewed [his] testimony in light of the other evidence to reach its intent conclusion." *Id.* at 1336. The same is true here. The district court found Mr. Rubin's reasons for withholding the JHP product to be implausible and not credible. *Belcher*, 450 F. Supp. 3d at 549. But the district court also relied on other record evidence to support its intent finding, including Mr. Rubin's prior knowledge of the JHP product, his central role in both FDA approval and patent prosecution, and his arguments to the examiner about the "criticality" of the 2.8 to 3.3 pH range despite knowing that Sintetica's batches used the same range. *See id.* at 548–51. As in *Aventis*, we conclude that the district court did not clearly err in finding that the single most reasonable inference is that Mr. Rubin possessed the specific intent to deceive the PTO when withholding the JHP product.

BELCHER PHARMACEUTICALS, LLC v. HOSPIRA, INC.

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CONCLUSION

We conclude that the district court did not clearly err in making its factual findings regarding materiality and intent, nor did it abuse its discretion in ultimately deciding that the '197 patent is unenforceable for inequitable conduct. We have considered Belcher's remaining arguments and find them unpersuasive. We therefore affirm.

AFFIRMED

COSTS

No costs.

United States Court of Appeals for the Federal Circuit

**BLACKBIRD TECH LLC, DBA BLACKBIRD
TECHNOLOGIES,**
Plaintiff-Appellant

v.

**HEALTH IN MOTION LLC, DBA INSPIRE
FITNESS, LEISURE FITNESS EQUIPMENT LLC,**
Defendants-Appellees

2018-2393

Appeal from the United States District Court for the
Central District of California in No. 2:17-cv-03488-R-GJS,
Senior Judge Manuel L. Real.

Decided: December 16, 2019

JEFFREY AHDOOT, Blackbird Tech LLC, Boston, MA, argued for plaintiff-appellant. Also represented by WENDY VERLANDER; STAMATIOS STAMOULIS, Stamoulis & Weinblatt LLC, Wilmington, DE.

WILLMORE F. HOLBROW, III, Buchalter, A Professional Corporation, Los Angeles, CA, argued for all defendants-appellees. Defendant-Appellee Health In Motion LLC also represented by CHRISTINA LE TRINH, Irvine, CA.

Before PROST, *Chief Judge*, WALLACH and HUGHES, *Circuit Judges*.

WALLACH, *Circuit Judge*.

Appellant Blackbird Tech LLC (“Blackbird”) sued Appellees Health In Motion LLC (“HIM”) and Leisure Fitness Equipment LLC (“Leisure”) (together, “Appellees”) in the U.S. District Court for the District of Delaware, and later transferred to the U.S. District Court for the Central District of California, for infringement of U.S. Patent No. 6,705,976 (“the ’976 patent”) owned by Blackbird. After more than nineteen months of litigation, Blackbird voluntarily dismissed its suit with prejudice and executed a covenant not to sue, after which Appellees were granted attorney fees and expenses in the amount of \$363,243.80. *Blackbird Tech LLC v. Health In Motion LLC*, No. 2:17-cv-03488-R-GJS (C.D. Cal. Sept. 10, 2018) (Order) (J.A. 17–20).

Blackbird appeals. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (2012). We affirm.

BACKGROUND

In October 2016, Blackbird sued Appellees in the U.S. District Court for the District of Delaware (“Delaware District Court”) for infringement of the ’976 patent. J.A. 418–28 (Original Complaint).¹ The ’976 patent relates to “exercise equipment,” ’976 patent col. 1 l. 11, and more

¹ Blackbird is an entity owned and controlled entirely by attorneys, see Oral Arg. at 3:53–4:25, <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2018-2393.mp3>, whose business model consists of purchasing patents and monetizing them “through litigation,” J.A. 1258–59 (Declaration of Blackbird’s Vice President and Head of Litigation).

particularly to “[e]xercise equipment including a housing having a structural surface defining an arcuate path” and “multiple pairs of pulleys positioned along the arcuate path, each pair of pulleys having passed between them a cable the proximal end of which is located outside the curved path, the distal end of the cable being coupled to a source of resistance within the housing,” *id.*, Abstract.

In March 2017, Appellees filed a motion to transfer to the U.S. District Court for the Central District of California (“District Court”). J.A. 28. The Delaware District Court granted Appellees’ motion to transfer in April 2017. *Blackbird Tech LLC v. TuffStuff Fitness, Int’l, Inc.*, No. 1:16-cv-00733–GMS, 2017 WL 1536394, at *1 (D. Del. Apr. 27, 2017) (J.A. 536, 547); *see id.* at *1 n.2 (explaining that “HIM has incorporated by reference TuffStuff’s arguments in its motion to transfer . . . , therefore the court’s memorandum and order will apply to both cases”).

In June 2017, Blackbird offered to settle its case against Appellees for \$80,000. J.A. 2069. Appellees declined Blackbird’s offer, explaining that Blackbird’s “infringement allegations lack[ed] merit” “[i]n view of the substantial differences between what is claimed in the [’]976 [p]atent and the accused device,” viz., HIM’s M1 Multi-Gym. J.A. 2070; *see* J.A. 1176, 1185–86 (User Manual for the M1 Multi-Gym).² Appellees also explained that they “believe[d] there [was] a strong likelihood” that Blackbird would be ordered to pay Appellees’ attorney fees, and countered with a settlement offer that included, *inter alia*, Blackbird “mak[ing] a payment of \$120,000” to Appellees.

² HIM “designs, markets[,] and sells fitness equipment,” including the M1 Multi-Gym, “throughout the United States.” J.A. 561. Leisure “operates numerous retail outlets, throughout the [United States], where it sells various types of physical fitness equipment, including the M1 [Multi-Gym].” J.A. 561.

J.A. 2070. In October 2017, Blackbird made another settlement offer, this time for \$50,000. J.A. 2241; *see* J.A. 1440 (“Blackbird’s counsel . . . made an oral offer to settle the case if [Appellees] paid Blackbird \$50,000.”). Again, Appellees declined. J.A. 1140, 2241. In April 2018, Blackbird offered to settle yet again, this time for \$15,000. J.A. 1440. Appellees once again declined, “maintain[ing] their request that Blackbird pay a portion of [Appellees’] expenses[.]” J.A. 1440. Later that same month, and again the following month (May 2018), Blackbird offered “a ‘walk-away’ settlement whereby [Appellees] would receive a license to the [’976] patent for zero dollars, and the case would be dismissed.” J.A. 2239 (describing the April 2018 offer), 2539 (describing the May 2018 offer). Once again, Appellees declined. J.A. 2239; *see* J.A. 2239–40 (Blackbird’s Vice President and Head of Litigation stating that “[Appellees], through counsel, have rejected all settlement offers by Blackbird . . . , including the zero-dollar ‘walk-away’ offer. . . . I understand the reasoning for this to be that [Appellees] have a belief that they will ultimate[ly] be awarded their legal fees after judgment in this matter”).

In May 2018, shortly before discovery was scheduled to end, Appellees filed a motion for summary judgment. J.A. 555–75 (Motion for Summary Judgement). Blackbird opposed, J.A. 1215–45, but, after Appellees’ motion was fully briefed, and without notifying Appellees in advance, Blackbird filed a notice of voluntary dismissal with prejudice, J.A. 1338–39 (Notice of Voluntary Dismissal), executed a covenant not to sue, J.A. 1334–35 (Covenant Not to Sue), and filed a motion to dismiss for lack of subject matter jurisdiction, J.A. 1323–28 (Motion to Dismiss).³ *See*

³ In its Motion to Dismiss, Blackbird argued that because it issued Appellees a “covenant not to sue on all claims of [the ’976 patent],” “no case or controversy exists

J.A. 1441 (Appellees’ lead counsel explaining that “Blackbird’s counsel never mentioned that he intended to file a covenant not to sue. . . . Blackbird surprisingly filed a Notice of Dismissal, Covenant Not to Sue[,] and Motion to Dismiss”); Oral Arg. at 20:19–20:38 (Appellees’ counsel stating that Appellees “didn’t even get a call from Blackbird, [Appellees] just saw . . . on the [CM/]ECF [system] that [Blackbird] had filed these documents dismissing the case”).

In June 2018, the District Court dismissed Blackbird’s claims with prejudice and denied Blackbird’s Motion to Dismiss, while authorizing Appellees to “seek to recover their costs, expenses, and/or attorney[] fees.” J.A. 1383–85. That same month, Appellees filed a motion for attorney fees and expenses, J.A. 1386–87 (Motion for Attorney Fees and Expenses), 1390–1417 (Memorandum in Support of Motion for Attorney Fees and Expenses), requesting \$357,768.50 in attorney fees and \$5,475.30 in expenses, J.A. 1417. In September 2018, the District Court issued its Order granting Appellees’ Motion for Attorney Fees and Expenses for the total requested amount of \$363,243.80. J.A. 17–20.

DISCUSSION

I. Standard of Review and Legal Standard

By statute, a “court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285 (2012). “[A]n ‘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.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014). “[T]here is no precise rule or formula for

between the parties,” and thus “the case has been mooted, and should be dismissed.” J.A. 1324; *see* J.A. 1325–27.

making these determinations”; instead, district courts “may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* (internal quotation marks and citation omitted).

On appeal, we “review all aspects of a district court’s § 285 determination for abuse of discretion.” *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 561 (2014). A district court abuses its discretion when it “base[s] its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence.” *Rothschild Connected Devices Innovations, LLC v. Guardian Prot. Servs., Inc.*, 858 F.3d 1383, 1387 (Fed. Cir. 2017) (quoting *Highmark*, 572 U.S. at 563 n.2). “A factual finding is clearly erroneous if, despite some supporting evidence, we are left with the definite and firm conviction that a mistake has been made.” *Id.* (internal quotation marks and citation omitted). “We apply Federal Circuit case[]law to the § 285 analysis, as it is unique to patent law.” *Digeo, Inc. v. Audible, Inc.*, 505 F.3d 1362, 1366 (Fed. Cir. 2007) (citation omitted).

II. The District Court Did Not Abuse Its Discretion in Concluding that This Case Is “Exceptional” Under 35 U.S.C. § 285

Considering the “totality of the circumstances,” the District Court found that Blackbird’s case against Appellees is “exceptional within the meaning of [§] 285 and *Octane Fitness*.” J.A. 18. Specifically, the District Court determined that Blackbird’s case against Appellees is “exceptional” because it “stand[s] 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. J.A. 17–18. The District Court also found that “granting a fee award [was] warranted” in this case “to deter future abusive litigation.” J.A. 19. Finally, the District Court concluded that

Appellees' requested award of \$363,243.80 was reasonable considering each attorney's "comparable skill, experience, and reputation." J.A. 19 (citing *Blum v. Stenson*, 465 U.S. 886, 888 (1984)). We review each of the District Court's determinations in turn.

A. The District Court Did Not Abuse Its Discretion in Determining that This Case "Stands Out" with Respect to the Lack of Substantive Strength in Blackbird's Litigation Position

The District Court found that Blackbird's litigation position was "meritless" and "frivolous." J.A. 18–19. Specifically, the District Court determined that "[w]hen challenged on the merits, [Blackbird] raised flawed claim construction and infringement contentions," and ultimately "did not prevail on the merits . . . because [Blackbird] dismissed its claims with prejudice, and submitted a covenant not to sue on the eve of trial." J.A. 18. Blackbird argues, however, that its "claim construction and infringement positions were eminently reasonable, and likely correct." Appellant's Br. 19; *see id.* at 19–29. We disagree with Blackbird.

Independent claim 1 of the '976 patent requires a "housing" that includes a "structural surface defining a prescribed concave arcuate contour" that: (1) delimits an inside, i.e., "within the housing," and an "outside" of the "housing," '976 patent col. 16 ll. 45–52; and (2) includes "at least three cable exit points . . . each . . . having [a cable] passed therethrough," i.e., from "within the housing" to "outside" the "housing," *id.* col. 16 ll. 43–45.⁴ Additionally, independent claim 1 requires that a "common source of

⁴ Blackbird alleged, in its Original and Amended Complaints, that HIM infringed "at least [independent] claim 1 of the '976 patent." J.A. 425, 520; *see* J.A. 426–27, 521–23, 534.

resistance” be provided “within the housing.” *Id.* col. 16 ll. 50–51. Before the District Court, Blackbird proposed to construe the term “housing” as a “part designed to shelter, cover, contain, or support a component.” J.A. 1231. Even accepting Blackbird’s proposed construction, the accused device does not include a “housing” that meets the requirements of independent claim 1. For example, to the extent the alleged “housing” of the M1 Multi-Gym includes a “concave[,] arcuate” “structural surface,” the cables of the accused device are not “passed therethrough,” i.e., from “within the housing” to “outside” the “housing,” at even a single “exit point.” *Compare* ’976 patent col. 16 ll. 41–52, *with* J.A. 422, 517, 1176, 1185–86.⁵ Rather, the cables of the M1 Multi-Gym are arranged outside of the alleged “housing,” passing through a series of pulleys and flanges provided on the outside surfaces of the M1’s tubular frame members. *See* J.A. 422–25, 517–20, 1176, 1185–86. Moreover, a “common source of resistance” is not provided “within” the alleged “housing” as required by independent claim 1. Instead, the weights of the M1 Multi-Gym are housed within a separate structural component. *See* J.A. 422, 517, 1176.⁶

⁵ Before the District Court, Blackbird argued that the “housing” of the M1 Multi-Gym “consists of a ‘heavy-duty round tubular steel’ frame,” that includes: (1) “upright supports”; (2) a “center upright brace”; and (3) a “main upright.” J.A. 1240; *see* J.A. 1176–86 (depicting the M1 Multi-Gym).

⁶ Blackbird contends that the District Court’s decision should be vacated, because the “District Court never construed any claim element of the asserted patent.” Appellant’s Br. 15. In light of the material differences between the claims of the ’976 patent and the accused device, even accepting Blackbird’s proposed constructions, “[c]laim construction was unnecessary before finding

Blackbird’s counterarguments are unpersuasive. First, Blackbird argues that “the record compels a reversal as a matter of law because . . . the District Court did not find Blackbird’s arguments objectively baseless (merely ‘flawed’), and that is insufficient to support an award of fees[.]” Appellant’s Br. 9. However, the District Court’s finding that Blackbird’s “claim construction and infringement contentions” were “flawed,” is only a single consideration among the totality of circumstances considered by the court in concluding that Blackbird’s litigation position lacked substantive strength. J.A. 18; *see* J.A. 18–19; *see also Octane Fitness*, 572 U.S. at 554–55 (explaining that “there is no precise rule or formula” for determining whether a case “stands out from others with respect to the substantive strength of a party’s litigating position”; instead, district courts may make this determination “in the case-by-case exercise of their discretion, considering the totality of the circumstances” (internal quotation marks and brackets omitted)).

Second, Blackbird argues that “[t]here is simply no basis for finding that Blackbird should have known its litigation position was purportedly weak,” Appellant’s Br. 19, as “neither [Appellees] nor the District Court put Blackbird on adequate notice of the purported weakness of its position to support an award of fees,” *id.* at 9. The District Court was not obliged to advise Blackbird of the weaknesses in its litigation position, and further, while a “lack of . . . early notice . . . can support a denial of attorney[] fees,” “we have not held that such notice is rigidly required.” *Thermolife Int’l LLC v. GNC Corp.*, 922 F.3d 1347, 1358 (Fed. Cir. 2019). Moreover, the exercise of even a modicum of due diligence by Blackbird, as part of a pre-suit

noninfringement in this case[.]” *Lumen View Tech. LLC v. Findthebest.com, Inc.*, 811 F.3d 479, 483 (Fed. Cir. 2016); *see* J.A. 18 (finding that the “[976] patent isn’t infringed”).

investigation, would have revealed the weaknesses in its litigation position. *See Bayer CropScience AG v. Dow AgroSciences LLC*, 851 F.3d 1302, 1307 (Fed. Cir. 2017) (“We cannot say that the district court erred in reasoning that had [the plaintiff] conducted a more searching pre-suit investigation . . . it would have not filed suit. Nor did the district court err in treating pre-suit diligence as a factor in the totality-of-the-circumstance approach[.]”). It is also unclear what effect, if any, notice would have had on Blackbird’s conduct, as Blackbird waited until the “eve of trial” to dismiss its suit, J.A. 18; *see* J.A. 33, 35–36, despite being aware of Appellees’ non-infringement contentions months before, *see* Appellant’s Br. 5.

At a minimum, Blackbird was aware of Appellees’ intention to seek attorney fees and expenses as early as December 2016, when, in answering Blackbird’s Original Complaint, Appellees requested attorney fees and expenses. J.A. 510. While this request may not have provided the “focused” and “supported” notice that we have looked for in other cases, *Stone Basket Innovations, LLC v. Cook Med. LLC*, 892 F.3d 1175, 1181 (Fed. Cir. 2018), it undermines Blackbird’s attempt to blame others, including the District Court, for it being purportedly unaware of the weaknesses in its litigation position. Accordingly, the District Court did not abuse its discretion in determining that this case “stands out” with respect to the lack of substantive strength in Blackbird’s litigation position.

B. The District Court Did Not Abuse Its Discretion in
Determining that This Case “Stands Out” with Respect to
the Manner in Which Blackbird Litigated

The District Court did not limit its findings to the substantive strength of Blackbird’s litigation position, and further determined that Blackbird’s case against Appellees was “exceptional” because Blackbird “litigated . . . in an unreasonable manner.” J.A. 18. The District Court made multiple findings to support this determination, J.A. 18,

each of which is supported by the record. First, the District Court found that Blackbird “made multiple settlement demands that were far less than the anticipated cost of defense,” i.e., nuisance value settlement offers. J.A. 18; *see, e.g., Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1327 (Fed. Cir. 2011) (finding that the district court did not err in determining that the patentee had “acted in bad faith by exploiting the high cost to defend complex litigation to extract a nuisance value settlement”). By its own admission, Blackbird made a series of decreasing settlement offers, *see* Appellant’s Br. 5–7; *see also* J.A. 1440, 2069, 2239–41, 2539, each of which was significantly less than the cost of litigation, *see* J.A. 1417 (Appellees’ litigation costs totaled at least \$363,243.80).

Second, the District Court found that Blackbird unreasonably “delayed in producing documents, withheld many documents until after [Appellees] took [Blackbird’s] deposition[,] and completely failed to produce other responsive documents.” J.A. 18. Again, the record supports the District Court’s findings; indeed, the record shows numerous, unexcused delays by Blackbird in producing documents, *see, e.g.,* J.A. 2084, as well as Blackbird’s attempts to withhold responsive documents entirely, without notice or excuse, until Appellees learned of the documents during depositions, *see* J.A. 1440–41; Oral Arg. at 3:54–6:03 (Blackbird admitting that it “had the documents in-house” yet failed to produce them), 24:13–24:50 (Blackbird admitting “[t]hat [it] is true” that “documents identified in th[e] deposition” have never been produced).⁷ While Blackbird subsequently implied that some of these documents might be privileged, *see* J.A. 2230, Blackbird has failed to identify

⁷ As Appellees aptly point out, “Blackbird is an all-in-one affair, in which employee-attorneys possessed the documents, which were not . . . produced prior to the depositions[.]” Appellees’ Br. 35; *see* Oral Arg. at 3:53–4:25.

in the record any such assertion of privilege prior to the depositions.

Finally, the District Court determined that Blackbird had unreasonably “filed a notice of dismissal, covenant not to sue, and motion to dismiss without first notifying [Appellees’] counsel, on the same day pretrial submissions were due and shortly before [Appellees’] motion for summary judgment was to be decided.” J.A. 18. The record supports these findings. *See* J.A. 33, 35–36, 1323–28, 1334–35, 1338–39, 1441. Accordingly, the District Court did not abuse its discretion in determining that this case stands out with respect to the manner in which Blackbird litigated.

C. The District Court Did Not Abuse Its Discretion by Considering the Need to Deter Future Abusive Litigation

In addition to its findings as to the substantive strength of Blackbird’s litigation position and conduct during litigation, the District Court found that “granting a fee award [was] warranted” in this case “to deter future abusive litigation.” J.A. 19; *see* J.A. 19 (explaining that Blackbird “has filed over one hundred patent infringement lawsuits, and none have been decided, on the merits, in favor of [Blackbird]”).⁸ Doing so was “within the scope of [the

⁸ As of August 2018, Blackbird had filed “over 110” lawsuits since its inception in 2014. J.A. 1439 (citing J.A. 1961–64); *see* J.A. 2238 (Blackbird acknowledging that as of July 16, 2018, “Blackbird . . . ha[d] filed over 100 individual lawsuits since its inception, asserting over 20 different patents”). Blackbird admits that the vast majority of these lawsuits were settled before a determination on the merits could be made, *see* Appellant’s Reply Br. 5, and acknowledges that not a single of its lawsuits “ha[s] reached a full, final decision on the merits,” Oral Arg. at 3:26–3:53.

District Court’s] discretion in finding this case to be exceptional based on the weakness of [Blackbird’s infringement contentions] and the need to deter similarly weak arguments in the future.” *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1377–78 (Fed. Cir. 2017). The District Court therefore did not abuse its discretion by considering the need to deter future abusive litigation. Accordingly, the District Court did not abuse its discretion in concluding that Blackbird’s case against Appellees is “exceptional” within the meaning of 35 U.S.C. § 285.⁹

III. The District Court Did Not Abuse Its Discretion in Determining that Appellees Are Entitled to \$363,243.80 in Attorney Fees and Expenses

The District Court concluded that Appellees’ requested award of \$363,243.80 was reasonable considering each attorney’s “comparable skill, experience, and reputation.” J.A. 19 (citing *Blum*, 465 U.S. at 888). Blackbird contends, however, that “[e]ven if some award of fees [is] permissible,” Appellant’s Br. 9, “the District Court erred in awarding fees for the full amount of the litigation, in two respects,” *id.* at 38: (1) “by failing to consider the reasonableness of the hours worked,” *id.* at 39; and (2) “by awarding fees for the entirety of the litigation rather than

⁹ Blackbird challenges the sufficiency of the District Court’s findings and reasoning underlying its determination that this case is “exceptional,” *see* Appellant’s Br. 14–19, arguing that remand is necessary because “the District Court did not supply the facts and reasoning it relied upon,” *id.* at 16. As our review of the District Court’s decision makes clear, the District Court “provide[d] a basis for meaningful appellate review,” by setting forth factual findings and “the reasoning underlying its decision.” *Superior Fireplace Co. v. Majestic Prods. Co.*, 270 F.3d 1358, 1377 (Fed. Cir. 2001).

relating it to the purported misconduct,” *id.* at 40. We disagree with Blackbird.

The District Court’s Order demonstrates its consideration of the record, including Appellees’ “detailed breakdown of the tasks performed by each lawyer, the [billing] rate of each lawyer, and the *time spent by each lawyer*” working on this case. J.A. 19 (emphasis added); *see* J.A. 19–20; *see also Lumen View*, 811 F.3d at 483 (“In calculating an attorney fee award, a district court usually applies the lodestar method, which provides a presumptively reasonable fee amount, by multiplying a reasonable hourly rate by the reasonable number of hours required to litigate a comparable case.” (internal citations omitted)). Appellees requested, in total, fees corresponding to just over 650 hours of work, J.A. 1413, an amount that the District Court did not abuse its discretion in awarding, especially considering, as the record shows, that this case was the subject of extensive motions practice and trial preparation, including, *inter alia*: a motion to transfer that was fully briefed and granted in Appellees’ favor, J.A. 28–29, 536, 547; a motion for summary judgment that was fully briefed, J.A. 34–35, 555–75; a motion to dismiss that was filed, J.A. 35, 1321–28; pre-trial submissions that were prepared for filing, J.A. 36; and considerable discovery that was completed, including bi-coastal depositions, J.A. 1966, 1976, 1985, 1987, 2003–07, 2489, 2499–2509.¹⁰

¹⁰ Blackbird argues also that the District Court erred in awarding Appellees attorney fees corresponding to forty hours that “were an estimate of future services to be rendered briefing a reply in the motion for fees and preparation for and attendance at a hearing the [District] Court never held.” Appellant’s Br. 39 (emphasis omitted). Appellees’ counsel clarified during oral argument, however, that they “actually . . . exceeded the forty hours.” Oral Arg. at 17:05–17:27.

Blackbird's contention that "[g]iven the amount at stake, the District Court should have determined whether it was reasonable to expend so many hours on such a small claim" is misplaced. Appellant's Br. 39. Indeed, 650 hours, for this litigation, is a far cry from the "countless hours" we have cautioned against. *Bywaters v. United States*, 670 F.3d 1221, 1231 (Fed. Cir. 2012) ("Where only a small amount is at stake, it certainly would not be reasonable to expend countless hours on such a small claim[.]"). To hold otherwise would, in effect, cause Appellees to make the untenable choice between: (1) submitting to Blackbird's settlement demands—small as they may be; or (2) risking non-reimbursement of attorney fees accrued in defending themselves against Blackbird's unmeritorious claims. Moreover, the record supports the conclusion that Blackbird's misconduct "so severely affected every stage of the litigation that a full award of attorney fees was proper here." *Monolithic Power Sys., Inc. v. O2 Micro Int'l Ltd.*, 726 F.3d 1359, 1369 (Fed. Cir. 2013). As the District Court found, "from the very early stages of this case until the attorney[] fees stage, there has been exceptional conduct by [Blackbird]." J.A. 18–19. Accordingly, the District Court did not abuse its discretion in awarding Appellees the full requested amount of \$363,243.80.

CONCLUSION

We have considered Blackbird's remaining arguments and find them unpersuasive. Accordingly, the Order of the U.S. District Court for the Central District of California is

AFFIRMED



KeyCite Yellow Flag - Negative Treatment

Distinguished by [Shipping and Transit, LLC v. 1A Auto, Inc.](#), S.D.Fla.,
October 20, 2017

858 F.3d 1371

United States Court of Appeals, Federal Circuit.

CHECKPOINT SYSTEMS, INC., Plaintiff–Appellant

v.

[ALL–TAG SECURITY S.A.](#), All–Tag

Security Americas, Inc., Sensormatic

Electronics Corporation, Kobe

Properties SARL, Defendants–Appellees

2016-1397

|

Decided: June 5, 2017

Synopsis

Background: Patentee brought action against competitors for infringement of patent for anti-theft tags used on merchandise. Following jury's finding of noninfringement, invalidity, and unenforceability, the United States District Court for the Eastern District of Pennsylvania, [Petrese B. Tucker, J.](#), 2011 WL 5237573, awarded attorney fees to competitors. Patentee appealed. The Court of Appeals, 711 F.3d 1341, affirmed the judgment but reversed award of attorney fees. Competitors petitioned for certiorari, which was granted. The Supreme Court, 134 S.Ct. 2134, vacated judgment and remanded to Court of Appeals. On remand, the Court of Appeals, 572 Fed.Appx. 988, vacated District Court's ruling on attorney fees and remanded. On remand, the District Court, 2015 WL 4941793, again awarded attorney fees to competitors. Patentee appealed.

[Holding:] The Court of Appeals, [Newman](#), Circuit Judge, held that district court erred in finding that patentee's action against competitor for infringement of patent for anti-theft tags used on merchandise was an “exceptional case” warranting award of attorney fees to competitor.

Reversed.

Procedural Posture(s): On Appeal.

West Headnotes (8)

[1] Patents Costs and fees

On appeal, all aspects of a district court's determination of whether a patent case in an “exceptional case” warranting award of attorney fees, are reviewed for an abuse of discretion. 35 U.S.C.A. § 285.

20 Cases that cite this headnote

[2] Federal Courts Abuse of discretion in general

A district court abuses its discretion when it bases its ruling on an erroneous view of the law or a clearly erroneous assessment of the evidence.

1 Cases that cite this headnote

[3] Patents Awards to competitors

District court erred in finding that patentee's action against competitor for infringement of patent for anti-theft tags used on merchandise was an “exceptional case” warranting award of attorney fees to competitor following jury verdict in competitor's favor; although patentee's expert tested products that were manufactured in a different location than the accused products, there was no representation by competitor that the accused products were different than the tested products, there was no allegation of falsity, fraud, or bad faith on the part of patentee or its expert, patentee had obtained two infringement opinions from counsel and previously obtained judgments against competitor, and district court had found that patentee had sufficient evidence of infringement to survive summary judgment and a *Daubert* challenge. 35 U.S.C.A. § 285.

6 Cases that cite this headnote

[4] Patents Awards to competitors

Mere fact that patentee has unsuccessfully exercised its statutory right to sue for infringement does not give rise to an

“exceptional case” warranting award of attorney fees to a prevailing competitor. 35 U.S.C.A. § 285.

[5] **Patents** 🔑 Awards to competitors

Although motivation to harass or burden an opponent may be relevant to a finding that an infringement action was an “exceptional case” warranting award of attorney fees to alleged infringer that was found not to have infringed the patent, bringing suit based on a reasonable belief in infringement is not an improper motive. 35 U.S.C.A. § 285.

25 Cases that cite this headnote

[6] **Patents** 🔑 Exceptional cases in general

Absent misrepresentation to the court, a party is entitled to rely on a court's denial of summary judgment and judgment as a matter of law of noninfringement as an indication that the party's claims were objectively reasonable and suitable for resolution at trial, for purpose of showing that an award of attorney fees is not warranted under the Patent Act provision authorizing courts to award attorney fees to the prevailing party in exceptional cases. 35 U.S.C.A. § 285.

4 Cases that cite this headnote

[7] **Patents** 🔑 Exceptional cases in general

The legislative purpose behind provision of Patent Act permitting award of attorney fees in exceptional cases is to prevent a party from suffering a gross injustice. 35 U.S.C.A. § 285.

8 Cases that cite this headnote

[8] **Patents** 🔑 In general; utility

US Patent 4,876,555. Cited.

3 Cases that cite this headnote

*1373 Appeal from the United States District Court for the Eastern District of Pennsylvania in No. 2:01-cv-02223-PBT, Judge Petrese B. Tucker.

Attorneys and Law Firms

Robert J. Palmersheim, Honigman Miller Schwartz and Cohn LLP, Chicago, IL, argued for plaintiff-appellant. Also represented by Anand C. Mathew; Dennis R. Suplee, Nancy Winkelman, Schnader, Harrison, Segal & Lewis LLP, Philadelphia, PA.

M. Kelly Tillery, Pepper Hamilton LLP, Philadelphia, PA, argued for all defendants-appellees. Defendant-appellee Sensormatic Electronics Corporation also represented by Charles S. Marion, Erik N. Videlock.

Theodore A. Breiner, Breiner & Breiner, Alexandria, VA, for defendants-appellees All-Tag Security S.A., All-Tag Security Americas, Inc., Kobe Properties SARL. Also represented by Tracy Zurzolo Quinn, Reed Smith LLP, Philadelphia, PA.

Before Newman, Lourie, and Moore, Circuit Judges.

Opinion

Newman, Circuit Judge.

This is the second attorney fee appeal arising from a patent infringement suit brought by Checkpoint Systems, Inc. (“Checkpoint”) against All-Tag Security S.A., All-Tag Security Americas, Inc., Sensormatic Electronics Corp., and Kobe Properties SARL (collectively, “All-Tag”). The district court deemed the case “exceptional” and awarded attorney fees to All-Tag.¹ We conclude that the court erred in its application of fee-shifting principles; the award is *reversed*.

¹ *Checkpoint Sys., Inc. v. All-Tag Security S.A.*, 2015 WL 4941793 (E.D. Pa. Aug. 19, 2015) (“Dist. Ct. Op.”).

BACKGROUND

U.S. Patent No. 4,876,555 (“the ’555 patent”) relates to improved anti-theft tags that are attached to merchandise, and deactivated when the goods are purchased. The accused tags are manufactured in Europe, and imported into the United States. Checkpoint brought an infringement suit in the Eastern District of Pennsylvania. Trial was to a jury, who found

the '555 patent not infringed, invalid, and unenforceable. Following the verdict, the district court found the case to be “exceptional” under 35 U.S.C. § 285, and awarded the defendants approximately \$6.6 million in attorney fees, costs, and interest. The district court stated that the case was “exceptional” because Checkpoint’s expert witness based his infringement opinion on examination of imported tags that were manufactured by All-Tag in Switzerland, although the accused tags were manufactured by All-Tag in Belgium. *Checkpoint Sys., Inc. v. All-Tag Sec. S.A.*, No. 01-CV-2223, 2011 WL 5237573, at *1 n.1 (E.D. Pa. Nov. 2, 2011) (“Dr. Zahn’s factual assumptions were derived from his review of All-Tag’s patents, rather than its actual accused products.... The evidence established that Checkpoint never looked at the accused products in relation to the '555 patent. This alone warrants an exceptional case finding.”) (internal citations omitted).

On appeal to us, Checkpoint pointed to evidence in the record explaining that the tags from Belgium were manufactured on the same machines that All-Tag transferred from Switzerland to Belgium. There *1374 was no contrary evidence. We affirmed the judgment entered on the jury verdict, but reversed the attorney fee award, holding that “[t]he infringement charge was not shown to have been made in bad faith or objectively baseless.” *Checkpoint Sys., Inc. v. All-Tag Security S.A.*, 711 F.3d 1341, 1348 (Fed. Cir. 2013).

All-Tag sought certiorari, which was granted, with the opinion vacated, and remanded to this court, *Kobe Properties SARL v. Checkpoint Sys., Inc.*, — U.S. —, 134 S.Ct. 2134, 188 L.Ed.2d 1121 (2014), in conjunction with the Supreme Court’s decisions on fee-shifting in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, — U.S. —, 134 S.Ct. 1749, 188 L.Ed.2d 816 (2014), and *Highmark Inc. v. Allcare Health Management System, Inc.*, — U.S. —, 134 S.Ct. 1744, 188 L.Ed.2d 829 (2014).

On remand from the Supreme Court, we remanded to the district court for further consideration of the attorney fee award in light of the Court’s decisions. *Checkpoint Sys., Inc. v. All-Tag Security S.A.*, 572 Fed.Appx. 988 (Fed. Cir. 2014). In the remand order, we instructed the district court to “consider the guidance from our prior opinion in which we explained that tests or experiments on the actual accused products are not always necessary to prove infringement.” *Id.* at 989.

The district court again held the case to be exceptional, citing the same ground, *viz.*, that Checkpoint’s pre-suit investigation

was inadequate because Checkpoint’s expert inspected tags produced in Switzerland rather than in Belgium. *Dist. Ct. Op.* at *4. The district court also found Checkpoint’s pre-suit investigation, based on an European infringement verdict against All-Tag on a counterpart of the '555 patent and two infringement opinions from counsel, to be inadequate because the infringement opinions “were given years before filing.” *Id.* Finally, the district court cited Checkpoint’s “improper motivation” behind the lawsuit, because Checkpoint brought suit “to interfere improperly with Defendants’ business and to protect its own competitive advantage.” *Id.* at *3.

Checkpoint appeals, arguing that its expert proceeded reasonably in light of the available information, for it was never disputed that the tags tested by the expert were produced on the same machines that were transferred to Belgium. Checkpoint states that it had a reasonable, good faith basis for bringing this infringement action, and that application of the Court’s rulings in *Octane Fitness* and in *Highmark* do not support the award of attorney fees.

DISCUSSION

Section 285 of the Patent Act provides for the award of attorney fees in “exceptional cases.” In *Octane Fitness* the Court explained that fee awards are for “the rare case in which a party’s unreasonable conduct—while not necessarily independently sanctionable—is nonetheless so ‘exceptional’ as to justify an award of fees.” 134 S.Ct. at 1757. The Court explained that the standard applied by the Federal Circuit had been too rigorous, and that “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.” *Id.* at 1756.

[1] [2] [3] On appeal, all aspects of a district court’s § 285 determination are reviewed for an abuse of discretion. *Highmark*, 134 S.Ct. at 1749. A district court abuses its discretion when “it base[s] its ruling on an erroneous view of the law or a clearly erroneous assessment of the evidence.” *Id.* at 1748 n.2 (internal citations *1375 omitted). Here, we find error in the district court’s legal analysis and assessment of the record evidence.

Checkpoint states that its litigating position was of objectively reasonable strength as to law and fact, despite the error as to which sample tag was provided to its expert for analysis.

The manufacture of that tag in Switzerland rather than in Belgium was made known by All-Tag before trial, and All-Tag attempted to exclude Checkpoint's expert's testimony pre-trial and moved for judgment as a matter of law post-trial. The district court denied both motions.

Although the jury found against Checkpoint, the district court denied JMOL, and we affirmed, the district court agreed that Checkpoint's claims were not frivolous. The district court nonetheless found the case to be exceptional, explaining:

Frivolousness is not required to find exceptionality under [Section 285](#). See [Octane Fitness, LLC](#), 134 S.Ct. at 1756 n.6 (listing "frivolousness" as only one of several "nonexclusive ... factors" to be considered in the totality of the circumstances). Certainly, Checkpoint may rely on this Court's denial of Defendants' *Daubert* and JMOL motions to indicate the reasonableness of its claims, but doing so is not dispositive.

[Dist. Ct. Op. at *5](#). The aspects that the district court stated were dispositive were Checkpoint's motivation in bringing the lawsuit, inadequate pre-suit investigation, and the failure of Checkpoint's expert to inspect the correct accused product.

[4] The district court stated that Checkpoint brought suit for an improper purpose, that is, to "interfere improperly" with All-Tag's business and "to protect its own competitive advantage." [Dist. Ct. Op. at *3](#). The district court cited Checkpoint's lawsuits against other asserted infringers, its market share, and its acquisition of competing producers as showing the improper motive of "protect[ing] its own competitive advantage." *Id.* However, the patent law provides the statutory right to exclude those that infringe a patented invention. Enforcement of this right is not an "exceptional case" under the patent law.

[5] All-Tag argues that it was appropriate to consider Checkpoint's competitive motivation because the Supreme Court mentioned "motivation" as a factor to be considered. [Octane Fitness](#), 134 S.Ct. at 1756 n.6 (instructing that when evaluating the totality of the circumstances "district courts could consider a 'nonexclusive' list of 'factors,' including

'frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.' " (internal citations omitted)). Indeed, "motivation" to harass or burden an opponent may be relevant to an "exceptional case" finding. See [SFA Sys., LLC v. Newegg Inc.](#), 793 F.3d 1344, 1350 (Fed. Cir. 2015) ("[A] pattern of litigation abuses characterized by the repeated filing of patent infringement actions for the sole purpose of forcing settlements, with no intention of testing the merits of one's claims, is relevant to a district court's exceptional case determination under § 285."). However, motivation to implement the statutory patent right by bringing suit based on a reasonable belief in infringement is not an improper motive. A patentee's assertion of reasonable claims of infringement is the mechanism whereby patent systems provide an innovation incentive.

Here, no such harassment or abuse is shown. In [Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersysteme GmbH](#), 603 F.3d 943, 954 (Fed. Cir. 2010), this court explained that there is a *1376 "presumption that an assertion of infringement of a duly granted patent is made in good faith." Checkpoint states that it had obtained two infringement opinions from counsel and previously obtained judgments against All-Tag for infringement of the Swiss counterpart of the '555 patent.

[6] Further, Checkpoint points to the district court's finding that Checkpoint had sufficient evidence of infringement to survive summary judgment motions and a *Daubert* challenge, and to proceed to a jury trial. See [ResQNet.com, Inc. v. Lansa, Inc.](#), 594 F.3d 860, 875 (Fed. Cir. 2010) ("[T]he district court's denial of summary judgment of noninfringement reflects the belief that it was reasonable for ResQNet to have retained that patent for suit."). "Absent misrepresentation to the court, a party is entitled to rely on a court's denial of summary judgment and JMOL ... as an indication that the party's claims were objectively reasonable and suitable for resolution at trial." [Medtronic Navigation](#), 603 F.3d at 954.

The district court also found the expert's failure to test an accused product supported the exceptional case finding and fee award. [Dist. Ct. Op. at *4](#). In light of the guidance in the remand order, the district court "clarified" its earlier finding on this point. *Id.* The district court found Checkpoint's expert's reliance on two of All-Tag's manufacturing process patents, the '466 and '343 patents, as evidence of infringement "insufficient," stating "there was

evidence that All-Tag's manufacturing processes were not the same as those disclosed in the '466 and '343 patents, making comparisons of the patents, instead of the actual products, insufficient." *Id.*

There was no representation by All-Tag that the accused products were different from the tested products, and the district court did not so find. There was no allegation of falsity or fraud or bad faith on the part of Checkpoint or its expert. Further, All-Tag's witness testified that the All-Tag patents explained how All-Tag manufactured its resonance tags, agreeing with counsel that to understand the process by which the accused tags were produced, it was "enough to just read the patent," and providing no additional details. *See Checkpoint Sys., Inc.*, 711 F.3d at 1347 (citing trial testimony). This aspect does not support the "exceptional case" ruling against Checkpoint.

CONCLUSION

[7] The Court has cautioned that fee awards are not to be used "as a penalty for failure to win a patent infringement suit." *Octane Fitness*, 134 S.Ct. at 1753 (quoting *Park-In-Theatres, Inc. v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951)). 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." S. Rep. No. 1503, 79th Cong., 2d Sess. (1946) (addressing the § 70 precursor to § 285); *see also Octane Fitness*, 134 S.Ct. at 1753 ("The provision enabled [district courts] to address 'unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force,' which made a case so unusual as to warrant fee-shifting." (quoting *Park-In-Theatres*, 190 F.2d at 142)).

We conclude that the district court erred, and thus abused its discretion, in its assessment of "exceptional case," for the record shows that the charge of infringement was reasonable and the litigation was *1377 not brought in bad faith or with abusive tactics. The award of attorney fees under 25 U.S.C. § 285 is reversed.

REVERSED

All Citations

858 F.3d 1371, 122 U.S.P.Q.2d 1786

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FACEBOOK, INC.,
Petitioner,

v.

SOUND VIEW INNOVATIONS, LLC,
Patent Owner.

Cases IPR2017-00998 and IPR2017-01002
Patent 7,412,486 B1¹

Before DEBRA K. STEPHENS, JAMES B. ARPIN, and
DANIEL J. GALLIGAN, *Administrative Patent Judges*.

ARPIN, *Administrative Patent Judge*.

DECISION

Denying Institution of Inter Partes Review
37 C.F.R. § 42.108

¹ The parties are not authorized to use a multiple case caption.

I. INTRODUCTION

A. Background

In Case IPR2017-00998, Facebook, Inc. (“Petitioner”) filed a Petition requesting that we institute *inter partes* review of claim 19 of U.S. Patent No. 7,412,486 B1 (IPR2017-00998, Ex. 1001, “the ’486 patent”).² Paper 2 (“998 Pet.”). Sound View Innovations, LLC (“Patent Owner”) filed a Preliminary Response. IPR2017-00998, Paper 6 (“998 Prelim. Resp.”). In Case IPR2017-01002, Petitioner filed a second Petition requesting that we institute *inter partes* review of claim 19 of the ’486 patent. IPR2017-01002, Paper 2 (“1002 Pet.”). Patent Owner also filed a Preliminary Response in this case. IPR2017-01002, Paper 6 (“1002 Prelim. Resp.”).

Our Rules for America Invents Act (“AIA”) proceedings “shall be construed to secure the just, speedy, and inexpensive resolution of every proceeding.” 37 C.F.R. § 42.1(b); *Office Patent Trial Practice Guide*, 77 Fed. Reg. 48756, 48758 (August 14, 2012). Case IPR2017-00998 and Case IPR2017-01002 involve a challenge to the *same* claim of the *same* patent by *the* same Petitioner, and there is overlap in the asserted prior art and additional evidence submitted by Petitioner. We conclude that, in the interest of the just, speedy, and inexpensive resolution of these cases, it is appropriate to consolidate these cases and to issue one decision on institution addressing both Case IPR2017-01002 and Case IPR2017-00998. *See* 37 C.F.R. § 42.5(a) (“The Board may determine a proper course of conduct in a proceeding for any situation not specifically covered by this part and may enter non-final orders to administer the proceeding.”).

² In each case, Ex. 1001 is the ’486 patent. Hereinafter, we only will cite to “Ex. 1001,” when referring to the ’486 patent.

Having considered the Petitions, the Preliminary Responses, and the evidence of record, we *deny* Petitioner’s requests to institute *inter partes* reviews of claim 19 of the ’486 patent, and this decision denying institution of *inter partes* review is entered concurrently in each case.

B. Related Matters

The ’486 patent is the subject of the following litigation: *Sound View Innovations, LLC v. Facebook, Inc.*, No. 16-cv-116 (RGA) (D. Del.), filed on February 29, 2016 (“the related litigation”). 998 Pet. 1; IPR2017-00998, Paper 4, 1.³ Petitioner explained that, as of the date of this Petition, no claim construction ruling had occurred. 998 Pet. 1. However, on May 19, 2017, the U.S. District Court for Delaware issued a Memorandum Opinion addressing claim construction in the related litigation (*e.g.*, IPR2017-00998, Ex. 2001 (excerpt discussing the ’486 patent; hereinafter the “998 Ex. 2001”)); and on August 10, 2017, the district court issued a Memorandum Order addressing claim construction in the related litigation (*e.g.*, IPR2017–00998, Ex. 2012 (“998 Ex. 2012”)).

³ Where substantially the same paper or exhibit is filed in each case, we may cite only to the paper or exhibit filed in IPR2017-00998. In particular, we note the following correspondence between certain ones of Patent Owner’s exhibits:

IPR2017-00998	IPR2017-01002
Ex. 2001	Ex. 2001
Ex. 2002	Ex. 2002
Ex. 2004	Ex. 2004
Ex. 2012	Ex. 2008

C. The '486 Patent

The '486 patent, entitled “Methods and Apparatus Providing A Web Based Messaging System,” generally describes “[m]echanisms and techniques [that] provide a system for performing messaging between a message server and a message client.” Ex. 1001, Abstract, 1:16–20. The messaging system of the '486 patent operates to receive a first message to be sent to a messaging client and to establish a first connection to the messaging client. *Id.*, Abstract. The system then transmits a message processing script, such as hyper-text related protocols and a simple scripting language (*see id.* at 29:53–58), and the first message over the first connection to the messaging client. *Id.*

The message processing script enables the messaging client to display the first message and to receive and display at least one second message over the first connection to the messaging client. The system maintains the first connection in an open state after transmitting the first message to the messaging client. The system then receives a second message to be sent to the messaging client and transmits the second message over the first connection to the messaging client for receipt by the message processing script, while continuing to maintain the first connection in an open state.

Id., Abstract. “[T]he server [sends] in slow drabs, message by message, over a continuously open single message connection through which or from which the client believes it is only receiving one message.” *Id.* at 30:38–41. These processes and steps may be repeated for subsequent messages using the same connection. *See id.*, Figs. 2 and 7.

D. Challenged Claim 19

Claim 19 is independent. *Id.* at 35:28–36:10. Because claim 19 is the only claim challenged in these cases, we reproduce claim 19 below with disputed limitations emphasized:

19.A messaging system comprising:

a messaging client;

a messaging server;

a computer network coupling the messaging client and the messaging server;

the messaging client *configured to*:

establish a message connection with the messaging server over the computer network using only hypertext-related protocols and a simple scripting language;

receive a message connection response from the server indicating that the message connection is an open message connection;

receiving message data of a first type containing the contents of a first message over the open message connection;

receiving message data of a second type containing the contents of a second message over the open message connection;

repeating the steps of receiving message data while maintaining the open message connection and while awaiting delivery of a message termination indicator indicating that a message associated with the message connection has been completely received by the messaging client;

the messaging server *configured to*:

establish a message connection with the messaging client over the computer network using only hypertext-related protocols and a simple scripting language;

transmit a message connection response to the messaging client identifying the message connection has an open message connection;

transmitting message data of a first type containing the contents of a first message from the messaging server over the open message connection to the messaging client;

transmitting message data of a second type containing the contents of a second message over the open message connection to the messaging client;

repeating the steps of transmitting in order to provide a continuous stream of message data over the open message connection, the continuous stream of message data comprising a plurality of messages perceived by the messaging client as a single continuous message received over the open message connection for display on the messaging client independent of the operating system thereof and exclusive of proprietary messaging software residing and previously stored on the messaging client.

(Emphases added.)

E. Applied References and Declaration⁴

Petitioner relies on the following references and declarations in support of its asserted grounds of unpatentability.

Case	Exhibit No.	Reference
IPR2017-00998	1002	Declaration of Sandeep Chatterjee, Ph.D.
IPR2017-00998	1003	U.S. Patent No. 6,988,241 B1 to Guttman <i>et al.</i> (“Guttman”)
IPR2017-00998	1004	Paul S. Hethmon, <i>Illustrated Guide to HTTP</i> (1997) (“Hethmon”)
IPR2017-00998	1005	U.S. Patent No. 6,311,187 B1 to Jeyaraman (“Jeyaraman”)
IPR2017-00998	1006	Jon Orwant, <i>Perl 5 Interactive Course</i> (1996) (“Orwant”)
IPR2017-01002	1002	Declaration of Sandeep Chatterjee, Ph.D.

⁴ All of the references for each case were filed in each case, and Dr. Chatterjee’s declaration filed in each case includes testimony with respect to the ground asserted in each case.

Case	Exhibit No.	Reference
IPR2017-01002	1004	Hethmon
IPR2017-01002	1006	Orwant
IPR2017-01002	1010	Just van den Broecke, <i>Pushlets, Part 1: Send events from servlets to DHTML client browsers</i> (“van den Broecke”)
IPR2017-01002	1011	U.S. Patent No. 6,212,548 B1 to DeSimone <i>et al.</i> (“DeSimone”)
IPR2017-01002	1012	Richard Wagner <i>et al.</i> , <i>JavaScript Unleashed</i> (2nd ed. 1997) (“Wagner”)

998 Pet. iv–v; 1002 Pet. iv–v.

F. Asserted Grounds of Unpatentability

Petitioner contends that claim 19 of the ’486 patent is unpatentable on the following grounds:

Case	References	Basis	Challenged Claim
IPR2017-00998	Guttman, Jeyaraman, Hethmon and Orwant	§ 103(a)	19
IPR2017-01002	van den Broecke, Wagner, Hethmon, DeSimone, and Orwant	§ 103(a)	19

998 Pet. 3; 1002 Pet. 3.

II. ANALYSIS

A. Claim Construction

1. Standard of Construction

In an *inter partes* review, claim terms in an unexpired patent are given their broadest reasonable interpretation in light of the specification of the Patent, in which they appear. *See* 37 C.F.R. § 42.100(b). In determining the broadest reasonable construction, we presume that claim terms carry their ordinary and customary meaning. *See In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). This presumption may be rebutted when a

patentee, acting as a lexicographer, sets forth an alternate definition of a term in the specification with reasonable clarity, deliberateness, and precision. *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

Here, neither party contends that any claim term requires construction. In particular,

[t]he Petitioner does not contend that any term from the '486 patent requires an explicit construction in order to understand how the claims apply to the prior art cited below. The Petitioner respectfully requests that the Board adopt the broadest reasonable construction consistent with the ordinary and customary meaning of claim 19.

998 Pet. 3; 1002 Pet. 3. Nevertheless, during the related litigation, Petitioner argued that claim 19 was indefinite based on at least nineteen different theories, including that the claim included means-plus-function language under 35 U.S.C. § 112, ¶ 6. 998 Prelim. Resp. 1, 1002 Prelim. Resp. 1; *see, e.g.*, IPR2017-00998, Ex. 2002, 61–87.⁵ Ultimately, the district court agreed with one of Petitioner's theories and concluded that claim 19 is indefinite. *E.g.*, IPR2017-00998, Ex. 2001, 24. We carefully and fully assess the effect, if any, of that conclusion and Petitioner's other indefiniteness arguments on our determination of whether or not to institute review.

2. *Principles of Law*

In an *inter partes* review, a petitioner may not challenge the patentability of a claim due to indefiniteness under 35 U.S.C. § 112, ¶ 2. *See* 35 U.S.C. § 311(b); 37 C.F.R. § 42.104(b)(2). Nevertheless, to the extent “the differences between the claimed invention and the prior art cannot be

⁵ We cite to the original page numbers of Ex. 2002, rather than Patent Owner's assigned page numbers.

determined,” we would not institute review of such a claim. *Blackberry Corp. v. MobileMedia Ideas, LLC*, Case IPR2013-00036, slip op. at 8 (PTAB Mar. 7, 2014) (Paper 65) (“Consequently, the differences between the claimed invention and the prior art cannot be determined. In this circumstance, the analysis begins and ends with the claims, and we do not attempt to apply the claims to the prior art.”). *See also Apple Inc. v. Valencell, Inc.*, Case IPR2017-00319, slip op. at 12–14 (PTAB June 12, 2017) (Paper 10) (“If the scope and meaning of the claims cannot be determined without speculation, the differences between the challenged claims and the prior art cannot be ascertained.”).

a. Indefiniteness

Petitioner does not argue to us that claim 19 is indefinite. *See* 998 Reply 2–3; 1002 Reply 2–3. Nevertheless, the AIA and our Rules allow us discretion in deciding whether or not to institute *inter partes* review. *See* 35 U.S.C. § 314(a); 37 C.F.R. § 42.108(a). Although not bound by the district court’s *earlier* determination that claim 19 *is* indefinite, we consider it in determining whether we should exercise our discretion and deny institution of an *inter partes* review of the claim. We emphasize that we are considering here *the district court’s* determination of indefiniteness, not *ours*, and district courts follow the requirements of *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014). Therefore, we consider the district court’s findings and conclusion through the lens of *Nautilus*.

In *Nautilus*, the U. S. Supreme Court explained that “a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the

invention.” 134 S. Ct. at 2124. In particular, the Court explained that (1) “definiteness is to be evaluated from the perspective of someone skilled in the relevant art,” (2) “in assessing definiteness, claims are to be read in light of the patent’s specification and prosecution history,” and (3) “[d]efiniteness is measured from the viewpoint of a person skilled in [the] art *at the time the patent was filed.*” *Id.* at 2128 (citations omitted). When construing the terms of an unexpired patent, the district courts and the Board apply different interpretation standards. As a result, there has been some question whether a different standard for definiteness applies before the district court and before the Office where the presumption of validity does not apply and the ability to amend claims exists. *Ex parte McAward*, Appeal No. 2015-006416, slip op. at 11–12, 11 n.4 (PTAB Aug. 25, 2017) (precedential); *but see Nautilus*, 134 S.Ct. at 2130 n.10 (“As the parties appear to agree, however, this presumption of validity does not alter the degree of clarity that § 112, ¶ 2 demands from patent applicants; to the contrary, it incorporates that definiteness requirement by reference.”); *Bungie, Inc. v. Worlds Inc.*, Case IPR2015-01268, slip op. at 5 (PTAB Dec. 3, 2015) (Paper 17) (“A claim term that does not satisfy the definiteness standard outlined in *Nautilus* likewise fails to satisfy the *Miyazaki*⁶ standard.”).

⁶ *Ex Parte Miyazaki*, 89 USPQ2d 1207, 1211 (BPAI 2008) (precedential) (“[I]f a claim is amenable to two or more plausible claim constructions, the [Office] is justified in requiring [an] applicant to more precisely define the metes and bounds of the claimed invention by holding the claim unpatentable . . . as indefinite.”).

In particular, Petitioner argued to the district court that claim 19 of the '486 patent is indefinite under the U.S. Court of Appeals for the Federal Circuit's ("the Federal Circuit's") holding in *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377, 1384 (Fed. Cir. 2005). According to the district court, "*IPXL* indefiniteness arises when a person of ordinary skill in the art would be unable to tell if the apparatus itself would infringe or if the apparatus would have to be used in a certain way to infringe." *E.g.*, IPR2017-00998, Ex. 2001, 20. Regarding *IPXL*, another panel of the Board recently has explained that

[t]he definiteness requirement of 35 U.S.C. § 112, second paragraph, mandates that a claim "particularly point[s] out and distinctly claim[s] the subject matter which the applicant regards as his invention." A claim that covers more than one subject matter class—e.g., "an apparatus and method of using that apparatus"—fails to meet this requirement. *Microprocessor Enhancement Corp. v. Tex. Instruments Inc. (MEC)*, 520 F.3d 1367, 1374 (Fed. Cir. 2008). The rationale for holding such a claim indefinite is that "it is unclear whether infringement . . . occurs when one creates a[n infringing] system, or . . . when the user actually uses [the system in an infringing manner]." *UltimatePointer, L.L.C. v. Nintendo Co.*, 816 F.3d 816, 826 (Fed. Cir. 2016) ((quoting *IPXL Holdings, LLC v. Amazon.com, Inc.*, 430 F.3d 1377, 1384 (Fed. Cir. 2005)) (alterations in original)).

Nonetheless, an apparatus claim may employ functional language without being indefinite for claiming both an apparatus and a method of using that apparatus. *Id.* Specifically, "[i]f an apparatus claim 'is clearly limited to a[n apparatus] possessing the recited structure and *capable* of performing the recited functions,' then the claim is not . . . indefinite." *Id.* ((quoting *MEC*, 520 F.3d at 1375) (alteration in original)).

Dish Network Corp. v. Customedia Technologies, LLC, Case CBM 2017-00032, slip op. at 32–33 (alterations in original) (PTAB July 28, 2017)

(Paper 10).⁷ Again, however, this refers to how *the Board may* treat claims with potential *IPXL* problems, not how *the district court* has treated claim 19 here.

Turning to the Memorandum Opinion, the district court provides five reasons for finding claim 19 of the '486 patent indefinite.

First, the claim language uses the present participle form of verbs—*receiving*, *receiving*, *repeating*—which is generally associated with method claiming. Plaintiff is correct that use of the present participle form does not “automatically convert the claims into method claims.” (D.I. 82 at 92-93) (quoting *Leader Techs v. Facebook, Inc.*, 770 F. Supp. 2d 686, 707 (D. Del 2011)). Its use, however, is suggestive of method claiming.

Second, the transition from the present form of the verb—*establish*, *receive*—to the present participle form suggests that the use of the present participle form is intentional and should be given meaning. If the claim was written “configured to . . .” followed by all present participle verbs, it would be easier to write it off as poor, but non-fatal, drafting. Instead, the claim reads “configured to” “*establish*” and “*receive*” and then transitions to “*receiving*,” “*receiving*,” and “*repeating*.”⁸ Plaintiff did not, either in its brief or at the hearing, offer a construction that gives meaning to the difference in the language. The only way to do so is to construe the claim to include method steps.

⁷ Unlike in *inter partes* reviews, a petitioner may assert grounds for unpatentability under 35 U.S.C. § 112, ¶ 2, in a petition requesting covered business method review. See 35 U.S.C. § 321(b).

⁸ Petitioner reinterprets this claim language in the instant Petitions in order to avoid this distinction. 998 Pet. 26 (“The step of “**establish**[ing] **a messaging connection** . . .”); 1002 Pet. 26 (alteration in original). This creates a further inconsistency between its arguments to the district court and those to the Board. *E.g.*, IPR2017-00998, Ex. 2002, 87–88.

Third, where the patentee explicitly uses method steps, for example in claim 18, the patentee uses the same verb forms and much the same language as the challenged language in claim 19:

Claim 19 (486 Patent, col. 35, ll. 41–52)	Claim 18 (486 Patent, col. 35, ll. 4–27)
“receiving message data of a first type containing the contents of a first message over the open message connection;”	“receiving message data of a first type over the open message connection;”
“receiving message data of a second type containing the contents of a second message over the open message connection;”	“receiving message data of a second type over the open messaging connection;”
“repeating the steps of receiving message data while maintaining the open message connection....”	“repeating the steps of receiving message data of a first type, maintaining the message connection in an open state....”

Again, this supports the construction that the patentee has included method steps in an apparatus claim.

Fourth, the present participle form aside, the claim uses the language of method. A “first” message is received, a “second” message is received, then the “steps” are “repeat[ed].” There is order and repetition, the province of method claiming.

[Fifth,]I do not believe a person of ordinary skill in the art would know if a messaging client configured to receive messages over an open connection would infringe or whether the client would have to, in fact, receive multiple messages to infringe. For these reasons, I am construing claim 19 to include method steps in an apparatus claim and find it indefinite under *IPXL*.

IPR2017-00998, Ex. 2001, 22–24.

Referring to the requirements of *Nautilus*, discussed above, we are persuaded that the district court has (1) evaluated definiteness from the perspective of someone skilled in the relevant art; (2) read challenged claim 19 in light of the patent’s specification,⁹ including the other claims; and

⁹ We note that neither party has made the prosecution history of record in these cases.

(3) measured definiteness from the viewpoint of a person skilled in the art at the time the patent was filed. IPR2017-00998, Ex. 2001, 22–24; *see* IPR2017-00998, Ex. 2002, 82–88; IPR2017-00998, Ex. 2003, 17–19 (Joint Claim Construction Chart).

In addition, the district court distinguishes between method steps, such as “receiving,” “receiving,” and “repeating,” which are not clearly linked to the system components, and capabilities such as “to establish” and “to receive.” Ex. 2001, 23; *see* IPR2017-00998, Ex. 2002, 87–88. Thus, we are satisfied that the district court has demonstrated that claim 19 is likely indefinite under *IPXL* and *Nautilus*.

Again, we are not bound by the claim construction of the district court, especially here where we may apply different standards for claim construction and different guidance from our reviewing courts in assessing definiteness. *See Power Integrations, Inc. v. Lee*, 797 F.3d 1318, 1326 (Fed. Cir. 2015) (“There is no dispute that the board is not generally bound by a prior judicial construction of a claim term.”). On this record and for purposes of this Decision, however, we are persuaded by the district court’s determination that claim 19 of the ’486 patent is indefinite and accept the district court’s factual findings in support of that determination.

b. Means-Plus-Function Limitations

In the related litigation, Petitioner argues that “client” and server” in claim 19 are nonce words and that the terms “messaging client” and “messaging server” are defined by their functions and should be construed as means-plus function terms under 35 U.S.C. § 112, ¶ 6. *E.g.*, IPR2017-00998, Ex. 2002, 66 (“The term ‘client’ is the type of generic and functional

nonce word that triggers § 112(f).”),¹⁰ 76 (“The term ‘server,’ for substantially the same reasons discussed above for ‘client,’ is a nonce word that triggers § 112(f).”); *see* Ex. 2004 ¶¶ 109 (“client”), 118 (“server”). As noted above, the district court and the Board apply different claim construction standards to the terms of an unexpired patent. With regard to the construction of means-plus-function limitations under 35 U.S.C. § 112, ¶ 6, however, the same construction applies under both the broadest reasonable interpretation and district court-type standards. In particular, the Federal Circuit recently explained that

the construction of a means-plus-function limitation under § 112 ¶ 6 “must look to the specification and interpret that language in light of the corresponding structure, material, or acts described therein, and equivalents thereof, to the extent that the specification provides such disclosure.” *We “h[e]ld that paragraph six applies regardless of the context in which the interpretation of means-plus-function language arises, i.e., whether as part of a patentability determination in the PTO or as part of a validity or infringement determination in a court.”* In other words, § 112 ¶ 6 “sets a limit on how broadly the PTO may construe means-plus-function language under the rubric of ‘reasonable interpretation,’” and “the PTO may not disregard the structure disclosed in the specification corresponding to such language when rendering a patentability determination.”

IPCom GmbH & Co. v. HTC Corp., 861 F.3d 1362, 1369–70 (Fed. Cir. 2017) (emphasis added; citations omitted; quoting *In re Donaldson Co.*, 16 F.3d 1189, 1193–95 (Fed. Cir. 1994) (en banc)). When construing a means-plus-function limitation, § 112, ¶ 6, requires us “to perform a two-step

¹⁰ Because the ’486 patent issued prior to the effective date of the AIA, the pre-AIA provision, 35 U.S.C. § 112, ¶ 6, applies to the ’486 patent, rather than 35 U.S.C. § 112(f).

analysis. First, [we must] ‘identif[y] the particular claimed function.’ Second, [we must] ‘look [] to the specification and identif[y] the corresponding structure, material, or acts that perform that function.’” *IPCom*, 861 F.3d at 1370 (citations omitted). This is true whatever the applied standard of construction.

Petitioner argues that “there is nothing improper about Petitioner agreeing with Patent Owner’s position in the present proceeding while preserving an alternative position in separate litigation.” Reply 2; *but see* Ex. 2001, 21 n.4 (“[Petitioner] also challenged ‘messaging server’ and ‘messaging client’ as means-plus-function and indefinite. Because I am invalidating the claim as indefinite on *IPXL* grounds, I do not reach this argument. If I did, the same logic that applies to claim terms 6 and 8, however, would apply to these terms and I would not find them subject to § 112(f).”). Although this may be true, the challenged claim either *contains* means-plus function terms or it doesn’t, and a word in the challenged claim either is a “nonce” word or it isn’t. Under our Rules, “[w]here the claim to be construed *contains a means-plus-function . . . limitation* as permitted under 35 U.S.C. [§ 112, ¶ 6], the construction of the claim must identify the specific portions of the specification that describe the structure, material, or acts corresponding to each claimed function.” 37 C.F.R. § 42.104(b)(3) (emphasis added); *see* 35 U.S.C. § 312(a)(4). Clearly, based on its arguments to the district court, Petitioner believes that claim 19 “*contains a means-plus-function . . . limitation.*” *E.g.*, IPR2017-00998, Ex. 2002, 66, 76; *see* IPR2017-00998, Ex. 2004 ¶¶ 107 (“One of ordinary skill in the art understands that a ‘client’ is functional in nature and does not have any particular structure.”), 118 (“One of ordinary skill in the art, for substantially

the same reasons discussed above for ‘client,’ understands that a ‘server’ is functional nature and does not have any particular structure.”).¹¹

Nevertheless, Petitioner chose not to provide us with the required construction. *E.g.*, 998 Prelim. Resp. 2.

Perhaps even more troubling, Petitioner chose not to inform us in its Petitions that it simultaneously was arguing a different treatment of the terms of claim 19 before the district court. In its Petitions, Petitioner merely informs us that “[a]s of the date of this Petition, no claim construction ruling [by the district court] has occurred.” 998 Pet. 1; 1002 Pet. 1. This statement was accurate in so far as it went, but it did not inform the panel that Petitioner had taken a very different claim construction position before the district court, it did not inform the panel that the different position was then under consideration by the district court, nor did it explain the reason for Petitioner’s change of heart regarding the presence of means-plus-function terms in claim 19. Instead, Petitioner left it to Patent Owner to advise us of Petitioner’s differing claim construction arguments to the district court (*see, e.g.*, IPR2017-00998, Ex. 2002; IPR2017-00998, Ex. 2004) and of the district court’s ultimate rulings (*see, e.g.*, IPR2017-00998, Ex. 2001; IPR2017-00998, Ex. 2012). At the very least, Petitioner’s failure to inform

¹¹ Dr. Chatterjee testified for Petitioner in the related litigation and in the support of the instant Petitions. We note that Dr. Chatterjee’s testimony is inconsistent on the subject of claim construction. *Compare* IPR2017-00998, Ex. 1002 ¶ 35 *with* IPR2017-00998, Ex. 2004 ¶¶ 107, 118. This inconsistency appears to go to Petitioner’s means-plus-function arguments, rather than its *IPXL* arguments.

us of its differing claim construction arguments before the district court raises the specter of lack of candor.¹²

3. *Discretion to Institute*

The AIA and our Rules afford us discretion in deciding whether or not to institute *inter partes* review. See 35 U.S.C. § 314(a); 37 C.F.R. § 42.108(a). Here, in view of the district court's determination that the sole challenged claim is indefinite and Petitioner's failure to inform us of its seemingly inconsistent claim construction positions or to provide us with means-plus-function constructions as required by our Rules, we *deny* Petitioner's requests that we institute *inter partes* review of claim 19 of the '486 patent in Case IPR2017-00998 and Case IPR2017-01002.

III. CONCLUSION

For the foregoing reasons, we deny institution of *inter partes* review of claim 19 of the '486 patent.

¹² Patent Owner contends:

Moreover, though it is well-established under both the regulations and the case law that it is Petitioner's burden to construe the limitations and to apply the construed limitations to the art, Petitioner merely states that none of the terms requires explicit construction. *This is directly in contrast to its litigation position, which Petitioner does not even disclose, let alone try to reconcile, with the position it takes here.*

E.g., 998 Prelim. Resp. 1 (emphasis added).

IV. ORDER

For the foregoing reasons, it is

ORDERED that Case IPR2017-01002 is consolidated with Case IPR2017-00998;

FURTHER ORDERED that the Petitions in Case IPR2017-00998 and Case IPR2017-01002 are *denied*, and no *inter partes* review is instituted; and

FURTHER ORDERED that the case caption in Case IPR2017-00998 shall be changed to reflect the consolidation of Case IPR2017-00998 with Case IPR2017-01002, in accordance with the attached example, and any further filings shall be made in the consolidated case, as Case IPR2017-01002 is considered to be closed administratively.

Cases IPR2017-00998 and IPR2017-01002
Patent 7,412,486 B1

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Cases IPR2017-00998 and IPR2017-01002
Patent 7,412,486 B1

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FACEBOOK, INC.,
Petitioner,

v.

SOUND VIEW INNOVATIONS, LLC,
Patent Owner.

Cases IPR2017-00998
Patent 7,412,486 B1¹³

Before DEBRA K. STEPHENS, JAMES B. ARPIN, and
DANIEL J. GALLIGAN, *Administrative Patent Judges*.

ARPIN, *Administrative Patent Judge*.

¹³ Case IPR2017-01002 has been consolidated with the instant proceeding.

951 F.3d 1310

United States Court of Appeals, Federal Circuit.

GS CLEANTECH CORPORATION,
Plaintiff-Appellant

v.

ADKINS ENERGY LLC, Defendant-Cross-Appellant
GS Cleantech Corporation, Greenshift
Corporation, Plaintiffs-Appellants
Cantor Colburn LLP Interested Party

v.

Big River Resources Galva, LLC, Big River Resources
West Burlington, LLC, Lincolnland Agri-Energy,
LLC, [Iroquois Bio-Energy Company, LLC](#), Cardinal
Ethanol, LLC, Lincolnway Energy, LLC, ICM,
INC., Bushmills Ethanol, Inc., [AL-Corn Clean
Fuel, LLC](#), Chippewa Valley Ethanol Company,
LLP, Heartland Corn Products, GEA Mechanical
Equipmentus, INC., as Successor-In-Interest To
GEA Westfalia Separator, Inc. Pursuant to the
Notice of Merger Filed on 4/28/2011, Ace Ethanol,
LLC, Blue Flint Ethanol LLC, [UNITED Wisconsin
Grain Producers, LLC](#), Flottweg Separation
Technology, Inc., Adkins Energy LLC, Aemetis,
Inc., [Aemetis Advanced Fuels Keyes, Inc.](#), [Little
Sioux Corn Processors, LLLP](#), [Guardian Energy,
LLC](#), Western New York Energy, LLC, Southwest
Iowa Renewable Energy, LLC, [Pacific Ethanol Magic
Valley LLC](#), [Pacific Ethanol Stockton](#), Homeland
Energy Solutions, LLC, Pacific Ethanol, Inc.,
David J. Vander Griend, Defendants-Appellees

2016-2231

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2017-1838

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2017-1832

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Decided: March 2, 2020

Synopsis

Background: Owner of patents for method of recovering oil from byproduct of ethanol dry milling brought infringement action against competitors. Following a bench trial, the United States District Court for the Southern District of Indiana, [Larry J. McKinney, J.](#), [2016 WL 4919980](#), held

patents unenforceable due to inequitable conduct. Owners appealed.

Holdings: The Court of Appeals, [Wallach](#), Circuit Judge, held that:

[1] patent for method of recovering oil from byproduct of ethanol dry milling was invalid as obvious;

[2] claimed invention was subject of an offer for sale when inventor made proposal to an ethanol plant more than a year before inventor filed patent application;

[3] claimed invention was ready for patenting when inventor made offer of sale to ethanol plant; and

[4] district court did not abuse its discretion in rendering patents unenforceable due to inequitable conduct.

Affirmed.

Procedural Posture(s): On Appeal; Judgment.

West Headnotes (23)

[1] **Federal Courts** 🔑 **Credibility and impeachment**

The Court of Appeals gives great deference to the district court's decisions regarding the credibility of witnesses.

[2] **Patents** 🔑 **Fuels, oils, and lubricants**

A person of ordinary skill in the art would have been motivated the lower the moisture content of the syrup, which was a concentrate created by evaporating thin stillage from ethanol dry milling byproduct, before mixing syrup with wet distiller grains, as was disclosed in patent for method of recovering oil from byproduct of ethanol dry milling, and thus patent was invalid as obvious; prior art disclosed the drying of syrup after the oil extraction process but before it was added back to the dried distiller wet grains, and patent's removal of oil from syrup prior to any mixing

with wet distiller grains only disclosed dryer efficiencies. 35 U.S.C.A. § 103(a).

[3] **Patents** 🔑 Inequitable conduct

Inequitable conduct in patent prosecution is an equitable issue committed to the discretion of the trial court and is, therefore, reviewed by the Court of Appeals under an abuse of discretion standard.

[4] **Patents** 🔑 Inequitable conduct

The Court of Appeals leaves undisturbed the trial court's inequitable conduct in patent prosecution decision unless the appellant establishes that the ruling is based upon clearly erroneous findings of fact or a misapplication or misinterpretation of applicable law or that the ruling evidences a clear error of judgment on the part of the trial court.

[5] **Patents** 🔑 Intent to deceive in general

Patents 🔑 Evidence

To prevail on a claim of inequitable conduct in a patent case, the accused infringer must prove by clear and convincing evidence that the patentee: (1) knew of the reference or prior commercial sale; (2) knew that it was material; and (3) made a deliberate decision to withhold it.

[6] **Patents** 🔑 Intent to deceive in general

In a patent case alleging inequitable conduct involving nondisclosure of information, proving that a patentee knew of a material reference, should have known of its materiality, and decided not to submit it to the Patent and Trademark Office does not prove specific intent to deceive; instead, the specific intent to deceive must be the single most reasonable inference able to be drawn from the evidence.

1 Cases that cite this headnote

[7] **Patents** 🔑 In general; nature, purpose, and elements of statutory bar

A patent is invalid under the on-sale bar if, before the critical date, the invention was: (1) the subject of a commercial sale or offer for sale; and (2) ready for patenting. 35 U.S.C.A. § 102(b).

1 Cases that cite this headnote

[8] **Patents** 🔑 Attempts to sell; offers

For purpose of the on-sale bar, whether the claimed invention was the subject of an offer for sale is an inquiry based on contract law principles. 35 U.S.C.A. § 102(b).

1 Cases that cite this headnote

[9] **Patents** 🔑 Attempts to sell; offers

Whether a claimed invention was the subject of an offer for sale, for purpose of on-sale bar, involves an assessment of whether the circumstances surrounding the transaction show that the transaction was not primarily for purposes of experimentation. 35 U.S.C.A. § 102(b).

1 Cases that cite this headnote

[10] **Patents** 🔑 Experimental use or purpose

A use of an invention may be experimental, and thus not subject to the on-sale bar, only if it is designed to: (1) test claimed features of the invention, or (2) determine whether an invention will work for its intended purpose. 35 U.S.C.A. § 102(b).

[11] **Patents** 🔑 Experimental use or purpose

To determine if a transaction was conducted primarily to experiment, such that use of an invention is not subject to the on-sale bar, a district court may look to the *Allen Eng'g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, factors to assess the transaction's experimental nature, which include: (1) the necessity for public testing; (3) the nature of the invention; and (10) whether the invention reasonably requires evaluation under actual conditions of use. 35 U.S.C.A. § 102(b).

[12] Patents 🔑 Experimental use or purpose

If a prior commercial sale of an invention was primarily for purposes of experimentation, the sale will not serve as a bar to patentability under on-sale bar. 35 U.S.C.A. § 102(b).

[13] Patents 🔑 Degree of proof

In making the patentability determination regarding the on-sale bar, the trial court should apply the preponderance of the evidence standard. 35 U.S.C.A. § 102(b).

[14] Patents 🔑 Completion of Prior Invention; "Ready for Patenting" Requirement

For purpose of the on-sale bar, an invention is ready for patenting when prior to the critical date: (1) the invention is reduced to practice; or (2) the invention is depicted in drawings or described in writings of sufficient nature to enable a person of ordinary skill in the art to practice the invention. 35 U.S.C.A. § 102(b).

[15] Patents 🔑 Inequitable conduct

Court of Appeals could address issue of whether owner of patent for recovering oil from byproduct of ethanol dry milling engaged in inequitable conduct in obtaining patents without first conducting de novo review of district court's determination at summary judgment that patents were invalid under on-sale bar, despite owner's claim that issue of materiality of the alleged prior sale of the invention was only raised on summary judgment, but not during inequitable conduct bench trial; in addition to incorporating evidence and findings of materiality that had been presented at summary judgment stage, district court admitted other relevant evidence during trial, including documents related to testing prior to alleged sale proposal and previously unheard testimony from the inventors and attorneys related to materiality of proposal. 35 U.S.C.A. § 102(b).

[16] Patents 🔑 Materiality in general**Patents** 🔑 Inequitable conduct

A finding of a reference's or prior sale's materiality is required for an inequitable conduct determination, which is reviewed for abuse of discretion.

[17] Patents 🔑 Determination

Inequitable conduct's materiality requirement does not provide the patentee with the right to a jury and instead must be resolved by the trial court.

[18] Patents 🔑 Sale

Claimed invention of method for recovering oil from byproduct of ethanol dry milling was subject of an offer for sale when inventor made proposal to an ethanol plant more than a year before inventor filed patent application, as required to be subject to on-sale bar to patentability; inventor's proposal provided an offer of all items necessary to recover oil and the price and inventors understood that the offer was a "first sale" that would have lead to additional sales. 35 U.S.C.A. § 102(b).

1 Cases that cite this headnote

[19] Courts 🔑 Particular questions or subject matter

The Court of Appeals for the Federal Circuit applies the law of the regional circuit as to procedural matters.

[20] Patents 🔑 Sale

Claimed invention of method for recovering oil from byproduct of ethanol dry milling was ready for patenting when inventor made offer of sale to ethanol plant, as required to be subject to on-sale bar to patentability based on offer of sale more than a year prior to submitting patent application, where, prior to offer of sale, inventor tested

method using claimed pH, moisture content, and temperature ranges claimed in patents, inventor found that tests demonstrated that oil could be taken out of byproduct easily, inventor had an employee immediately prepare a diagram of oil recovery system following tests, and diagram, along with laboratory tests and results and communications between inventor and potential buyer, would have allowed a person of ordinary skill in the art to practice the invention. 35 U.S.C.A. § 102(b).

[21] Patents 🔑 Failure to disclose material information

District court did not abuse its discretion in rendering patents for method of recovering oil from byproduct of ethanol dry milling unenforceable due to inequitable conduct in prosecution of patent, where inventors were aware of the on-sale bar and its requirements, inventors and their attorneys withheld evidence of successful testing of invention more than a year before they submitted patent application and made false representations implying that invention was not reduced to practice until less than a year before their application, inventors and attorneys offered potential customer a royalty-free license in exchange for customer's willingness to admit pending patents were valid, inventors and attorneys made a patently false statement about when their offer of sale was made to potential customer, and inventors and attorneys failed to correct inventor's false declaration regarding when offer of sale was made. 35 U.S.C.A. § 102(b).

[22] Patents 🔑 In general; utility
US Patent 8,168,037. Invalid.

[23] Patents 🔑 In general; utility
US Patent 7,601,858, US Patent 8,008,516, US Patent 8,008,517, US Patent 8,283,484. Unenforceable.

***1313** Appeals from the United States District Court for the Northern District of Illinois in No. 1:10-cv-04391, Judge [Larry J. McKinney](#).

Appeal from the United States District Court for the Southern District of Indiana in Nos. 1:10-cv-00180-RLM-DML, 1:10-cv-08000-RLM-DML, 1:10-cv-08001-RLM-DML, 1:10-cv-08002-RLM-DML, 1:10-cv-08003-RLM-DML, 1:10-cv-08004-RLM-DML, 1:10-cv-08005-RLM-DML, 1:10-cv-08006-RLM-DML, 1:10-cv-08007-RLM-DML, 1:10-cv-08008-RLM-DML, 1:10-cv-08009-RLM-DML, 1:10-cv-08010-RLM-DML, 1:10-cv-08011-RLM-DML, 1:10-cv-08012-RLM-DML, 1:13-cv-08012-RLM-DML, 1:13-cv-08013-RLM-DML, 1:13-cv-08014-RLM-DML, 1:13-cv-08015-RLM-DML, 1:13-cv-08016-RLM-DML, 1:13-cv-08017-RLM-DML, 1:13-cv-08018-RLM-DML, 1:14-cv-08019-RLM-DML, 1:14-cv-08020-RLM-DML, Judge [Larry J. McKinney](#).

Attorneys and Law Firms

[Steven B. Pokotilow](#), Stroock & Stroock & Lavan LLP, New York, NY, argued for plaintiffs-appellants. Also represented by [Binni N. Shah](#).

[John M. Weyrauch](#), Dicke, Billig & Czaja, PLLC, Minneapolis, MN, argued for defendants-appellees Big River Resources Galva, LLC, Big River Resources West Burlington, LLC, Lincolnland Agri-Energy, LLC, Cardinal Ethanol, LLC, Lincolnway Energy, LLC, ICM, Inc., Flottweg Separation Technology, Inc., Blue Flint Ethanol, LLC, David J. Vander Griend. Defendants-appellees Big River Resources Galva, LLC, Big River Resources West Burlington, LLC, Lincolnland Agri-Energy, LLC, Cardinal Ethanol, LLC, ICM, Inc., Flottweg Separation Technology, Inc., Little Sioux Corn Processors, LLLP, Guardian Energy, LLC, Western New York Energy, LLC, Southwest Iowa Renewable Energy, LLC, Pacific Ethanol Magic Valley LLC, David J. Vander Griend also represented by [Peter R. Forrest](#).

[Michael Buchanan](#), Patterson Belknap Webb & Tyler LLP, New York, NY, argued for defendants-appellees ACE Ethanol, LLC, Aemetis Advanced Fuels Keyes, Inc., Aemetis, Inc., Al-Corn Clean Fuel, LLC, Big River Resources Galva, LLC, Big River Resources West Burlington, LLC, Blue Flint Ethanol LLC, Bushmills Ethanol, Inc., Cardinal Ethanol, LLC, Chippewa Valley Ethanol Company, LLP, Flottweg Separation Technology, Inc., GEA Mechanical Equipment US, Inc., Guardian Energy, LLC, Heartland

Corn Products, Homeland Energy Solutions, LLC, ICM, Inc., Iroquois Bio-Energy Company, LLC, Lincolnland Agri-Energy, LLC, Lincolnway Energy, LLC, Little Sioux Corn Processors, LLLP, Pacific Ethanol Magic Valley LLC, Pacific Ethanol Stockton, Pacific Ethanol, Inc., Southwest Iowa Renewable Energy, LLC, United Wisconsin Grain Producers, LLC, David J. Vander Griend, Western New York Energy, LLC, Adkins Energy LLC.

[Keith David Parr](#), Locke Lord LLP, Chicago, IL, for defendant-cross-appellant. Also represented by [Hugh S. Balsam](#), [Wasim K. Bleibel](#), [James Thomas Peterka](#).

[Spiro Bereveskos](#), Woodard Emhardt Henry Reeves & Wagner, LLP, Indianapolis, IN, for defendant-appellee Iroquois Bio-Energy Company, LLC. Also represented by [Daniel James Lueders](#), [Lisa A. Hiday](#).

[Glenn Johnson](#), McKee, Voorhees & Sease, P.L.C., Des Moines, IA, for defendant-appellee Lincolnway Energy, LLC.

[John Donald Best](#), Michael Best & Friedrich, LLP, Madison, WI, for defendants-appellees Bushmills Ethanol, Inc., Chippewa Valley Ethanol Company, LLP, Heartland Corn Products, United Wisconsin Grain Producers, LLC. Also represented by [Kenneth M. Albridge, III](#), [John C. Scheller](#).

Marc Andre AL, Stoel Rives LLP, Minneapolis, MN, for defendant-appellee Al-Corn Clean Fuel, LLC.

[Ruth Rivard](#), Stinson LLP, Minneapolis, MN, for defendant-appellee Blue Flint Ethanol LLC.

[Camille L. Urban](#), Brown, Winick, Graves, Gross, Baskerville & Schoenebaum, PLC, Des Moines, IA, for defendants-appellees Aemetis, Inc., Aemetis Advanced Fuels Keyes, Inc., Pacific Ethanol Stockton, Homeland Energy Solutions, LLC, Pacific Ethanol, Inc. Also represented by [Michael A. Dee](#).

Before [Reyna](#), [Wallach](#), and [Hughes](#), Circuit Judges.

Opinion

[Wallach](#), Circuit Judge.

***1315** The U.S. District Court for the Southern District of Indiana (“District Court”) found Appellants GS CleanTech Corporation and Greenshift Corporation’s (together, “CleanTech”) U.S. Patent Nos. 7,601,858 (“the ‘858 patent”), 8,008,516 (“the ‘516 patent”), 8,008,517 (“the ‘517 patent”), and 8,283,484 (“the ‘484 patent”) (together, “the

Patents-in-Suit”) unenforceable due to inequitable conduct. Corrected Memorandum Opinion & Order after Bench Trial, *In re: Method of Processing Ethanol Byproducts & Related Subsystems* (*’858 Patent Litig.*, No. 1:10-mj-02181-LJM-DML (S.D. Ind. Sept. 15, 2016), ECF No. 1653 (J.A. 236–313) (Opinion and Order); *see* J.A. 314–15 (Judgment).

CleanTech appeals. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (2012). We affirm.

BACKGROUND

I. The Patents-in-Suit¹

¹ The Patents-in-Suit share a specification. For the ease of reference here, we will refer to the *’858 patent*’s specification.

The Patents-in-Suit are directed to the recovery of oil from a dry mill ethanol plant’s byproduct, called thin stillage. *’858 patent*, Abstract.² The Patents-in-Suit disclose a method of “successful” “recover[y] [of] the valuable oil from th[e] [thin stillage] byproduct,” *id.* col. 1 ll. 52–53, by, for example, “evaporating the thin stillage to form a concentrate,” *id.* col. 2 ll. 23–25, or syrup, and then “separating the oil from the concentrate using a disk stack centrifuge,” *id.* col. 2 ll. 25–27.

² Stillage treatment relates to the process of treating “‘whole stillage[,]’ ” which is the “waste stream comprised of byproducts” that is a result of the dry milling process. *’858 patent* col. 1 ll. 35–41. Dry milling is “a popular method of producing ethanol ... [and] is typically practiced using corn.” *Id.* col. 1 ll. 35–37. Whole stillage, which has commonly been treated as waste, “may be further separated into products known as distillers wet grains and ‘thin stillage.’ ” *Id.* col. 1 ll. 41–43.

Independent claim 8 of the *’858 patent* recites:

A method of recovering oil from thin stillage, comprising, in sequence: evaporating the thin stillage to create a concentrate having a moisture content of greater than 30% by weight and less than about 90% by weight; and

centrifuging the concentrate to recover oil.

Id. col. 6 ll. 26–30.³ Independent claims 1, 10, and 16 include a separate post-evaporation heating step. *Id.* col. 5 l. 65–col. 6 l. 7 (Independent Claim 1), col. 6 ll. 34–42 (Independent Claim 10), col. 6 ll. 59–64 (Independent Claim 16). All dependent claims recite various combinations of temperature, pH, or moisture content ranges for the syrup or the use of the centrifuge. *Id.* col. 6 ll. 8–33, 43–58. Independent claim *1316 30 of the '484 patent similarly recites a “method of recovering oil from thin stillage[.]” except it is by “mechanically processing the thin stillage concentrate” instead of centrifugation. '484 patent col. 8 ll. 29–37.

³ Independent claim 8, which is illustrative, broadly recites the claimed invention. The remaining claims recite additional limitations beyond those recited in independent claim 8.

Independent claim 1 of the '516 patent provides the additional step of “evaporating water from the thin stillage to form a thin stillage concentrate.” '516 patent col. 6 ll. 11–19. Independent claim 7 includes the additional step of “separating distiller wet grains and thin stillage from the whole stillage” and using a disk stack centrifuge to separate the “oil from the thin stillage concentrate.” *Id.* col. 6 ll. 34–42. Independent claim 1 of the '517 patent also recites the creation of the thin stillage concentrate, within a broader moisture content range. '517 patent col. 6 ll. 32–37.

II. Factual History⁴

⁴ We will rely on the District Court's factual recitation where it is uncontested by the parties. Where certain facts are disputed, we will refer to the record evidence.

A. Development of the Ethanol Oil Recovery System

In 2000, David Cantrell founded Vortex Dehydration Technology (“VDT”), J.A. 117, with the purpose of selling products and methods of processing factory waste for resale, J.A. 118. In 2002, David Winsness joined VDT as its Chief Technology Officer. J.A. 117. Later in 2002, Messrs.

Cantrell and Winsness (collectively, “the Inventors”) met Greg Barlage, a “market unit manager for equipment sales” at the company Alfa Laval AB, which sold animal and vegetable oil processing equipment. J.A. 117, 118. Mr. Barlage approached the Inventors with the proposal that VDT use Alfa Laval oil processing equipment—such as evaporators and centrifuges—in its processes. J.A. 119. Soon, the Inventors began developing an oil recovery product specifically designed for animal processing waste products, using centrifuges provided by Alfa Laval. J.A. 119.

[1] Relevant here, VDT maintained a business relationship with Agri-Energy LLC (“Agri-Energy”), J.A. 121, which operated a dry-mill ethanol plant in Minnesota, J.A. 120.⁵ Starting sometime before June 2003, Mr. Cantrell shifted his focus from meat and fish byproduct processing to the creation of an ethanol oil recovery system and hired employees from Alfa Laval and Agri-Energy, as well as a marketing team. J.A. 122. In June 2003, Mr. Cantrell sent an email to two Agri-Energy employees, including one named George Winter, that included information about how VDT's oil recovery system for processed animal waste might be applicable in an ethanol plant, as well as an image of an oil recovery system with a centrifuge and an operational cost spreadsheet. J.A. 123. *1317 Subsequently, Mr. Cantrell informed Mr. Barlage that Agri-Energy would send Mr. Barlage a sample of its “thin stillage and syrup” for oil recovery testing using a centrifuge. J.A. 124.⁶

⁵ The District Court discounted testimony provided by Mr. Cantrell at the bench trial, determining that Mr. Cantrell's testimony “on any topic [to be] of little credible value.” J.A. 242. The District Court noted that Mr. Cantrell made “inconsistent statements,” “had some difficulty staying focused,” and “was argumentative and unclear about facts when questioned by [Appellees'] counsel.” J.A. 242–43. The District Court stated that this was in sharp contrast to Mr. Cantrell's “fortuitously remember[ing] when events took place and recall[ing] the ‘real’ meaning of documents when questioned by CleanTech's lawyers.” J.A. 243. The District Court concluded that “[Mr.] Cantrell's testimony sounded carefully scripted rather than genuine and generally dismissive of the contemporaneous documentary evidence.” J.A. 243. Accordingly, the District Court determined that it would “rel[y] primarily on the documents

and testimony from other witnesses about the relationship between Agri-Energy and inventors during this period[.]” J.A. 243. “[We] give[] great deference to the district court’s decisions regarding [the] credibility of witnesses.” *Ecolochem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1378–79 (Fed. Cir. 2000) (internal quotation marks and citation omitted).

- 6 Ethanol syrup is concentrated thin stillage. J.A. 124.

In June 2003, Mr. Barlage performed oil recovery tests on the Agri-Energy samples by heating each sample to a temperature of 176 °F and running them through an Alfa Laval centrifuge. J.A. 125. The syrup had a pH of “approximately 4” and a “moisture content between 70% and 80%.” J.A. 125. Based on the tests, Mr. Barlage concluded that it was easier to divest oil from syrup than from thin stillage. J.A. 125. In his report (“June 2003 Report”), Mr. Barlage concluded that “[s]omething in the evaporation process allows for the product to breakdown to a level where the oil can be taken out easily[.]” and recommended additional testing at a plant. J.A. 110092.

In early July 2003, Mr. Barlage traveled to Agri-Energy and tested VDT’s oil recovery system, including a centrifuge, with Agri-Energy’s ethanol syrup (“July 2003 Test”). J.A. 128–29. Again, the test included a syrup with a pH of around 4, with a moisture content between 70% and 80%, and the test was conducted at a temperature of 180 °F. J.A. 128–29. During the test, the centrifuge separated the oil from the syrup, but the centrifuge repeatedly clogged. J.A. 129. Around this time, Mr. Winsness directed a VDT employee to prepare a drawing of the ethanol oil recovery system, J.A. 130–31, which was completed by the end of July 2003, J.A. 132; see J.A. 110044 (Ethanol Oil Recovery System Diagram). The employee understood that the Ethanol Oil Recovery System Diagram “was intended to become a sales drawing.” J.A. 17278.

On August 1, 2003, Mr. Cantrell emailed several Agri-Energy employees (“August 2003 Email”) and attached a proposal, dated July 31, 2003. J.A. 132–33; see J.A. 110021–22 (“July 2003 Proposal”). The July 2003 Proposal stated that VDT “would like to offer Agri-Energy a No-Risk trial [of the] ‘Oil Recovery System.’ ” J.A. 110021. The proposal stated that “[t]he test module is designed to process 18,000 [pounds] per hour of evaporator condensate and recovers 16,000 [pounds] of oil per day adding annual profits of

\$312,000 to \$530,000 per year.” J.A. 110021 (emphasis omitted). The proposal went on to detail the “No-Risk Trial,” which “allow[ed] Agri-Energy [sixty] days to operate the unit and confirm its value[.]” at which point Agri-Energy could “purchase the system” for \$423,000 or “return the skid to [VDT] (no questions asked).” J.A. 110021 (emphasis omitted). According to the Inventors, the purpose of the letter was to seek an opportunity to run in-plant tests and obtain data on how the test module ran. J.A. 31418–19. Agri-Energy understood the July 2003 Proposal as an offer for purchase. J.A. 248.

On August 18, 2003, Mr. Cantrell traveled to Agri-Energy and, the following day, presented his proposal to the Agri-Energy Board of Directors. J.A. 135. In the meeting, Mr. Cantrell described VDT’s ethanol extraction system as “a process where the corn oil is pulled off[.]” and he asserted that the system “worked” and that it “would generate additional income[.]” J.A. 135–36. On the same day, Mr. Winsness informed VDT shareholders that Mr. Cantrell was “meeting with an ethanol plant” and the Inventors “expect[ed] to have an order in the near future (\$400K).” J.A. 136. On August 27, 2003, Mr. Cantrell informed VDT’s chairman that “‘we have made an offer to Agri-Energy.’ ” J.A. 136. Agri-Energy did not accept the July 2003 Proposal, and no centrifuge system was installed at Agri-Energy’s facility at that *1318 time. J.A. 137; see J.A. 70656 (Testimony by Mr. Cantrell) (stating that Agri-Energy did not accept the July 2003 Proposal). In early 2004, Agri-Energy and VDT again communicated regarding the installation of an oil recovery system, J.A. 137, and in May 2004, a centrifuge was installed in the Agri-Energy plant, J.A. 139.

B. Patent Prosecution History

In February 2004, the Inventors contacted attorney Andrew Dorisio about preparing a patent application for, inter alia, their method of separating corn oil from concentrated thin stillage using a centrifuge. J.A. 251–52. Specifically, the Inventors sought to patent a method whereby “[a]n evaporator would be used to concentrate thin stillage” to a syrup with “a moisture content between 60% and 85%,” and the syrup would then be mechanically processed to separate out the oil, using a disk stack centrifuge. J.A. 251. The temperature and pH of the thin stillage—150 °F to 212 °F and with a pH range from 3 to 6—would be the standard values of thin stillage in an ethanol plant. J.A. 251. Mr. Dorisio informed the Inventors about the on-sale bar of 35 U.S.C.

§ 102 (2000), which required that the claimed invention not be sold or offered for sale more than one year before the application filing date, and inquired if such an offer had been made. J.A. 252; *see* J.A. 111059; *see also* 35 U.S.C. § 102(b) (“A person shall be entitled to a patent unless ... the invention was ... on sale ... more than one year prior to the date of the application for patent in the United States[.]”).⁷ Contemporaneous to their discussion with Mr. Dorisio, the Inventors also conducted research on the U.S. Patent and Trademark Office’s (“USPTO”) website, which included information about provisional patent applications and the on-sale bar. J.A. 252.

⁷ Congress amended 35 U.S.C. § 102 when it passed the Leahy-Smith America Invents Act (“AIA”), and AIA § 4(e) made those changes applicable to “any patent application that is filed on or after” September 16, 2012. Pub. L. No. 112-29, § 4(e), 125 Stat. 284, 297 (2011). Because the application that led to the Patents-in-Suit was filed before September 16, 2012, pre-AIA § 102 applies. Under pre-AIA § 102, a person shall be entitled to a patent unless the claimed invention was on sale more than one year before the application’s filing date. 35 U.S.C. § 102(b). A patent is invalid under the on-sale bar if, before the filing date, the invention was both (1) the subject of a commercial sale or offer for sale and (2) “ready for patenting.” *See Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67, 119 S.Ct. 304, 142 L.Ed.2d 261 (1998).

Subsequently, the Inventors provided Mr. Dorisio with test results from June 2003 and described the July 2003 Tests. J.A. 255. Mr. Dorisio, apparently without being told about the July 2003 Proposal or the Ethanol Oil Recovery System Diagram, filed U.S. Provisional Patent Application No. 60/602,050 (“the ‘050 provisional application”) on August 17, 2004, with the USPTO, J.A. 140, 151; *see* J.A. 900, setting the critical date for the on-sale bar at August 17, 2003, J.A. 164. *See Helsinn Healthcare S.A. v. Teva Pharm. USA, Inc.*, 855 F.3d 1356, 1360 (Fed. Cir. 2017) (“The critical date for the on-sale bar is one year earlier[.]”), *aff’d*, — U.S. —, 139 S. Ct. 628, 202 L.Ed.2d 551 (2019). In May 2005, Mr. Dorisio filed a non-provisional application, U.S. Patent Application No. 11/122,859 (“the ‘859 application”). The ‘859 application included a letter stating that a separate patent application, entitled “Substantially Fat Free Products From Whole Stillage Resulting from the Production of Ethanol from Oil-Bearing Agricultural Products,” U.S. Patent

Application No. 10/619,833 (“Prevost”), “may be found to claim the same invention as at least one claim of the instant application.” J.A. 256 (internal quotation marks omitted).

*1319 In July 2005, Mr. Dorisio provided the Inventors with a draft clearance opinion, based on his understanding that the Inventors had reduced their claimed invention to practice in June 2003, and argued that the Inventors could swear behind Prevost, which was filed on July 15, 2003. J.A. 256; *see* J.A. 111060–74 (Draft Clearance Opinion); *see also* J.A. 111065 (“Past correspondence indicates [the] actual reduction to practice of the [claimed invention] during experiments conducted in early to mid-June 2003. If accurate, this date of invention precedes the filing date of ... [Prevost] by at least one month[.]”), 18286 (Prevost) (providing a filing date of July 15, 2003). In 2006, the Inventors joined CleanTech, J.A. 35686, which acquired VDT’s ethanol oil recovery method applications, J.A. 8–10.⁸

⁸ The ‘858 patent issued from the ‘859 application, J.A. 900, and all the remaining patents of the Patents-in-Suit issued from applications that were continuations of the ‘859 application, J.A. 910, 921, 953. The Patents-in-Suit claim effective filing dates of August 17, 2004. J.A. 900, 910, 921, 953.

In March 2008, Mr. Winsness transferred the prosecution of CleanTech’s ethanol oil recovery method applications from Mr. Dorisio to the law firm Cantor Colburn LLP (“Cantor Colburn”). J.A. 257. An attorney at Cantor Colburn, Peter Hagerty, explained to at least one of the Inventors the on-sale bar and the Inventors’ obligation of candor toward the USPTO. J.A. 54666. In June 2008, a USPTO patent examiner rejected the ‘859 application, based in part on Prevost. J.A. 258. Cantor Colburn amended the ‘859 application’s claims. J.A. 258. By at least September 2008, Cantor Colburn was aware of Mr. Barlage’s testing in June and July 2003. J.A. 111075; *see* J.A. 111075 (Mr. Winsness’s Email to Mr. Hagerty) (explaining that the “testing we did in June 2003” showed that “a sequence of evaporation followed by centrifugation allows for oil recovery”).

In May 2009, a potential investor in CleanTech conducted due diligence and sought information on the company’s pending patent applications; specifically, the potential investor requested from the Inventors “‘pre-filing disclosures of the inventions’ ” or “‘pre-filing offers for sale[.]’ ” among other information. J.A. 261; *see* J.A. 111023. The Inventors denied having any such information, although, in 2010, “Mr. Cantrell

had retained a ‘signed version’ of the July 2003 Proposal in his ‘home files,’ and ‘an unsigned version was on [Mr.] Winsness[s] computer[.]’ ” J.A. 262; *see* J.A. 63882. In June 2009, Cantor Colburn withdrew the pending ‘859 application from issue. J.A. 264; *see* J.A. 71338.

On the same day as the withdrawal, Cantor Colburn filed a letter with the USPTO in the ‘859 application file disclosing that “[s]ometime in May 2004, feasibility testing of a process and system for recovering oil from thin stillage was performed[.]” J.A. 110380. The letter was also filed with the USPTO in the prosecution of the ‘516, ‘517, and ‘484 patents. J.A. 264–65; *see* J.A. 110371–78, 110697–99. No reference was made to Mr. Barlage’s June and July 2003 testing, the June 2003 Report, the Ethanol Oil Recovery System Diagram, or the July 2003 Proposal. *See generally* J.A. 110371–74, 110375–78, 110379–81, 110697–99. In October 2009, the USPTO issued the ‘858 patent. J.A. 900.

C. The Two Cantrell Declarations

In March 2010, Mr. Winsness provided a signed copy of the July 2003 Proposal to Cantor Colburn. J.A. 267; *see* J.A. 63882.⁹ *1320 Around June 2010, Mr. Hagerty drafted a two-page Information Disclosure Statement (“IDS”) to be submitted to the USPTO, attaching the July 2003 Proposal. J.A. 110793–95; *see* J.A. 270. In the IDS, Mr. Hagerty claimed that the ‘858 patent’s method was “never disclosed, carried out, or performed” more than one year before the filing date and that the July 2003 Proposal was irrelevant. J.A. 110793–95.

⁹ At trial, evidence showed that Mr. Winsness provided Cantor Colburn with two letters in March 2010: an ink-signed original dated July 31, 2003, and an ink signed original dated August 19, 2003. J.A. 63882. The two letters differed from the electronic versions sent by Mr. Cantrell to Agri-Energy, such as by presenting a different letterhead. J.A. 266–67. The parties presented evidence about when each letter was signed, but the District Court “f[ound] the results of the experts’ analyses inconclusive with respect to the dating” of the two letters. J.A. 267. Additionally, the District Court concluded that “[i]f it had not questioned [Mr.] Winsness[s] veracity on other issues, the [District] Court could certainly conclude from this

that [Mr.] Winsness has a propensity to evade the truth.” J.A. 266. For the purposes of our analysis, this point is ancillary—albeit concerning regarding the candor of counsel and their clients—to the significant fact that Mr. Cantrell provided Agri-Energy with a version of the July 2003 Proposal by email on August 1, 2003, a fact that is now not disputed. J.A. 155; *see* J.A. 110274 (Second Cantrell Declaration).

In May and June 2010, Mr. Winsness met with a company that stated that it had reason to believe the ‘858 patent, as well as the other Patents-in-Suit, were invalid due to an offer in violation of the on-sale bar. J.A. 268. In late June 2010, Mr. Winsness made an “unannounced” trip to Agri-Energy and offered to provide Agri-Energy with a royalty-free license for CleanTech’s ethanol oil recovery system, which Agri-Energy refused. J.A. 146–47. Agri-Energy’s maintenance manager testified that he felt that Mr. Winsness was offering “a royalty-free license in exchange for admitting the patent was valid.” J.A. 146. Mr. Winsness testified that he had offered a royalty-free system to Agri-Energy in 2004 and an “early adopter advantage” at an unspecified point in time. J.A. 269. Subsequently, in July 2010, Cantor Colburn attorney Michael Rye provided Agri-Energy with a letter, asking Agri-Energy to “confirm” certain facts, including that VDT had not provided Agri-Energy with drawings or diagrams “for the proposed system in 2003” and that the system proposed to Agri-Energy was for testing purposes. J.A. 147; *see* J.A. 110322–23. Agri-Energy refused to verify the assertions, as it believed most of them to be “untrue.” J.A. 148. Soon after, Mr. Cantrell claimed to Cantor Colburn that he hand-delivered the July 2003 Proposal to Agri-Energy on August 18, 2003, despite the letter bearing a date weeks earlier. J.A. 148; *see* J.A. 70601.

In November 2010, Cantor Colburn filed a declaration executed by Mr. Cantrell with the USPTO for the ‘516 and ‘517 patent applications and attached a copy of the July 2003 Proposal. The declaration explained that Mr. Cantrell had hand delivered the July 2003 Proposal to Agri-Energy on August 18, 2003. J.A. 148; *see* J.A. 110016–19 (First Cantrell Declaration). Cantor Colburn informed the USPTO that the July 2003 Proposal did not violate the on-sale bar, as it occurred less than a year before the application filing date. J.A. 148. Omitted from the disclosure was Mr. Barlage’s Test Report, the Ethanol Oil Recovery System Diagram, and Mr. Barlage’s June and July 2003 testing. *See generally* J.A. 110016–19. The USPTO issued the ‘516 and ‘517 patents on August 30, 2011. *See* J.A. 910, 921.

In September 2011, Mr. Cantrell was deposed regarding the infringement lawsuit of the instant case. J.A. 148; *see* J.A. 20185–249. Mr. Cantrell was shown the July 2003 Proposal emailed to Agri-Energy on August 1, 2003, and Mr. Cantrell testified that the email was not authentic. *1321 J.A. 278; *see* J.A. 20207–08. Mr. Cantrell later admitted that it was “possible” that he sent the August 1 email. J.A. 70601. Mr. Hagerty, when deposed in 2011, stated that “ ‘it sent a chill up his spine’ ” when he learned that the letter was sent on August 1, 2003. J.A. 278. The parties, however, had stipulated during the March to August 2010 timeframe that Cantor Colburn was working under the impression that the July 2003 Proposal was sent on or near August 1, 2003. J.A. 278–79. Mr. Hagerty testified that he was unconcerned about the July 2003 Proposal because it did not “disclose anything or amount to an offer.” J.A. 279.

In July 2012, Cantor Colburn withdrew the '484 patent application, which also contained the First Cantrell Declaration, and filed a second declaration from Mr. Cantrell with the USPTO, which stated that Mr. Cantrell had forgotten about sending the August 2003 Email with the July 2003 Proposal attached. J.A. 155, *see* J.A. 110274 (Second Cantrell Declaration). Notably, the Second Cantrell Declaration did not provide any retractions of the false information provided in the First Cantrell Declaration—that it misstated that the first delivery of the July 2003 Proposal was on August 18, 2003—and did not explain the significance of the email in the Second Cantrell Declaration, which indicated a pre-critical date offer for sale. *See generally* J.A. 110274. In October 2012, the '484 patent issued. J.A. 953.

III. Procedural History

Starting in 2009 and continuing through 2014, CleanTech filed lawsuits against the Appellees¹⁰ and Adkins Energy, LLC (“Adkins”) for infringement of the Patents-in-Suit and CleanTech's U.S. Patent No. 8,168,037 (“the '037 patent”) in a number of actions that were subsequently combined into a multidistrict litigation case. In 2013, CleanTech moved for summary judgment. J.A. 1, 4–5. The Appellees and Adkins moved for, *inter alia*, summary judgment on invalidity. J.A. 3–5. The District Court found there was no infringement. J.A. 83, 86–87, 88, 90–91, 96. The District Court determined that specified claims in the lawsuit were invalid because of the on-sale bar, J.A. 174; anticipation, J.A. 181; obviousness, J.A. 192, 217; incorrect inventorship, J.A. 202; inadequate written

description, J.A. 195; lack of enablement, J.A. 197, 219; and indefiniteness, J.A. 205.¹¹

¹⁰ The Appellees are: Big River Resources Galva, LLC; Big River Resources West Burlington, LLC; Lincolnland Agri-Energy, LLC; Iroquois Bio-Energy Company, LLC; Cardinal Ethanol, LLC; Lincolnway Energy, LLC; ICM, Inc.; Bushmills Ethanol, Inc.; Al-Corn Clean Fuel, LLC; Chippewa Valley Ethanol Company, LLP; Heartland Corn Products; GEA Mechanical Equipment US, Inc., as Successor-in-Interest to GEA Westfalia Separator, Inc.; Ace Ethanol, LLC; Blue Flint Ethanol, LLC; United Wisconsin Grain Producers, LLC; Flottweg Separation Technologies, Inc.; Aemetis, Inc.; Aemetis Advanced Fuels Keyes, Inc.; Little Sioux Corn Processors, LLLP; Guardian Energy, LLC; Western New York Energy, LLC; Southwest Iowa Renewable Energy, LLC; Pacific Ethanol Magic Valley LLC; Pacific Ethanol Stockton; Homeland Energy Solutions, LLC; Pacific Ethanol, Inc.; and David J. Vander Griend.

¹¹ Notably, the August 2003 Email and the accompanying July 2003 Proposal were not produced during discovery in the infringement litigation before the District Court. J.A. 134.

[2] Relevant here, the District Court determined that “undisputed contemporaneous evidence supports only one conclusion, the on-sale bar applies and invalidates the [Patents-in-Suit] because,” first, “the July [2003] Proposal was the culmination of a commercial offer for sale and,” second, “the method described in the [Patents-in-Suit] had either or both been reduced to practice or/and there was sufficient *1322 description of the patented method” by the critical date to allow for the implementation of the patent. J.A. 167.¹² The District Court explained that the July 2003 Proposal contained the “major elements of a contract for the sale of a system that could perform the patented method ... : [namely] all items necessary to recover oil and the price.” J.A. 167. The District Court stated that the “dealing between the parties” leading up to the July 2003 Proposal evidences both parties' understanding that it was an offer for sale. J.A. 168. The District Court relied upon the communications between VDT and Agri-Energy, as VDT had advised Agri-Energy about the system, how it would work, what it was comprised of, where it should be placed, what it would accomplish, and the cost of operation.

J.A. 168–69. The District Court concluded that, under the Uniform Commercial Code (“UCC”), the signed proposal would have constituted a commercial contract. J.A. 169. Further, the District Court explained that other evidence regarding VDT and Agri-Energy’s contact surrounding the July 2003 Proposal corroborated its conclusion. J.A. 169–70 (referencing the creation of the Ethanol Oil Recovery System Diagram and Mr. Winsness’s announcement to shareholders that VDT had made an offer to sell and that the sale would lead to other sales). The District Court explained that a reasonable jury would not have concluded that the July 2003 Proposal was an offer to test its claimed invention as the Inventors knew the method could be successfully reduced to practice, J.A. 170–71 (listing evidence), and had been reduced to practice, J.A. 172 (citing Mr. Barlage’s two instances of practicing the method in 2003); see J.A. 172–73 (referencing other communications between the Inventors, Agri-Energy, and others implicating a reduction to practice). Accordingly, the District Court invalidated all of the claims of the ‘859, ‘516, and ‘517 patents, and independent claim 30 of the ‘484 patent pursuant to the on-sale bar.¹³

¹² The District Court initially determined that the on-sale bar did not apply to the ‘484 patent, J.A. 174, but later clarified its ruling, explaining that independent claim 30 of the ‘484 patent was invalid under the on-sale bar because it required the same steps as the claims of the ‘859, ‘516, and ‘517 patents that were also invalid, J.A. 234–35.

¹³ In addition to the Patents-in-Suit, the District Court addressed the ‘037 patent, which was not included in the subsequent inequitable conduct bench trial. J.A. 237–38. The District Court determined that the ‘037 patent was obvious over Prevost and the Patents-in-Suit. J.A. 215–16; see J.A. 214 (explaining that it was undisputed that the Patents-in-Suit served as prior art to the ‘037 patent). Specifically, the District Court explained that Prevost and the Patents-in-Suit teach the oil recovery method for concentrated thin stillage, which is used with evaporators, as is disclosed by the ‘037 patent. J.A. 215–16. Compare ‘858 patent col. 5 ll. 28–30, with ‘037 patent col. 10 ll. 56–67. The District Court stated that a person having ordinary skill in the art (“PHOSITA”) would have been “familiar with the prior art ethanol plant processes,” like Prevost, that “includ[e] evaporation of thin stillage to reduce the moisture

content before mixing it with wet distiller grains[.]” J.A. 215. The District Court explained that the Patents-in-Suit disclose dryer efficiencies that can be achieved from the removal of oil from syrup prior to any mixing with wet distiller grains. J.A. 215–16. Compare ‘858 patent col. 4 ll. 54–56, col. 5 ll. 28–30, with ‘037 patent col. 10 ll. 61–67. Because Prevost and the Patents-in-Suit disclose the drying of syrup after the oil extraction process but before it is added back to the dried distiller wet grains, we conclude that the District Court properly determined that a PHOSITA would have been motivated to lower the moisture content of the syrup, as disclosed in the ‘037 patent. See *Regents of Univ. of Cal. v. Broad Inst., Inc.*, 903 F.3d 1286, 1291 (Fed. Cir. 2018); see also 35 U.S.C. § 103(a).

Following its summary judgment determinations, the District Court held an inequitable conduct bench trial. J.A. 237. Following the bench trial, in which the *1323 Inventors and attorneys from Cantor Colburn testified, the District Court concluded that additional evidence at trial supported the District Court’s previous determination that the Patents-in-Suit were ready for patenting when the Inventors provided the July 2003 Proposal to Agri-Energy. J.A. 294. The District Court concluded that CleanTech committed inequitable conduct through a “complete lack of regard for their duty to the [USPTO].” J.A. 261. Moreover, the District Court determined that “the [I]nventors made a mistake” by “offer[ing] their invention for sale to Agri-Energy” in “July/August 2003,” and “[l]ater, they took affirmative steps to hide that fact from their lawyers, then, later [from] the [US]PTO when they learned that it would prevent them from profiting from the [Patents-in-Suit].” J.A. 299. The District Court stated that the Inventors “purposefully withheld the information about their dealings with Agri-Energy[.]” J.A. 263, and that they “acted to deceive the [US]PTO about the facts of the discovery process of the invention[.]” J.A. 261. In discussing the Inventors’ “inten[t] to deceive the [US]PTO,” the District Court stated that the conclusion was evidenced by the fact that the Inventors “allowed [Mr.] Hagerty to file the feasibility testing letter during prosecution of the [‘]858 patent, but [did] not tell the whole story about their 2003 successes and the [July 2003 Proposal].” J.A. 292. Moreover, “[w]ith respect to the [‘]516, the [‘]517, and the [‘]484 patents,” the District Court determined that “the [I]nventors allowed [Mr.] Hagerty to file a false affidavit notwithstanding their knowledge that [Mr.] Barlage had practiced the method in June 2003 and they had made an offer to sell the method to Agri-Energy in July or early August of 2003.” J.A. 292–93.

Additionally, the District Court concluded that Cantor Colburn either “purpose[fully] eva[ded]” disclosing or failed to seek out relevant information and so participated in the inequitable conduct, J.A. 264, “cho[o]s[ing] advocacy over candor[.]” J.A. 308. The District Court explained that Mr. Hagerty “never asked the [I]nventors key questions about their invention or the meaning of contemporaneous documents and, after the litigation started, [Mr. Hagerty] relied on the litigation team to do all the investigation.” J.A. 296. The District Court stated that Cantor Colburn’s focus on “pre-critical date documents” “was purposefully and, in [the District] Court’s view improperly narrow.” J.A. 300 (internal quotation marks omitted). The District Court also found that “[i]n the face of [Mr.] Cantrell’s poor health, [Mr.] Winsness[s] and Cantor Colburn’s reliance on [Mr.] Cantrell’s recollection of the events surrounding the [July 2003 Proposal] ..., as well as their lackluster investigation of events is solid evidence of purposeful behavior.” J.A. 307. The District Court determined that Cantor Colburn “ignored the red flags [waving] before them[.]” such as the fact that Mr. Winsness “threatened Agri-Energy with legal action if it did not corroborate his and [Mr.] Cantrell’s story[.]” which Cantor Colburn supported by sending Agri-Energy a “thinly-veiled threat[.]” J.A. 307, 308.¹⁴ The District *1324 Court concluded that “[t]he only reasonable inference is that [Cantor Colburn] believed the [I]nventors had made an offer and, with the feasibility testing letter already before the [US]PTO in both prosecutions, ... which implied a later reduction to practice date, they chose advocacy over candor.” J.A. 308. The District Court held the Patents-in-Suit unenforceable due to inequitable conduct. J.A. 313.

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At the bench trial, Mr. Hagerty testified that he had learned about the Inventors’ interactions with Agri-Energy around September 2008, including, significantly, the occurrence of the July 2003 testing. J.A. 263. When asked why he failed to provide the potential CleanTech investor with that information, Mr. Hagerty “seemed perplexed that [the] request should have covered the 2003 testing because [Mr.] Hagerty had determined it was irrelevant to patentability.” J.A. 263. We conclude, as the District Court found, “[t]his conclusion is problematic in light of the fact that the written information [Mr.] Hagerty received from [Mr.] Winsness about the 2003 bench test stated that it worked[.]” J.A. 263.

DISCUSSION

I. Standard of Review and Legal Standard

[3] [4] “Inequitable conduct is an equitable issue committed to the discretion of the trial court and is, therefore, reviewed by this court under an abuse of discretion standard.” *Energy Heating, LLC v. Heat On-The-Fly, LLC*, 889 F.3d 1291, 1299 (Fed. Cir. 2018) (citations omitted). We leave undisturbed the trial court’s inequitable conduct decision unless the appellant establishes “that the ruling is based upon clearly erroneous findings of fact or a misapplication or misinterpretation of applicable law or that the ruling evidences a clear error of judgment on the part of the [trial] court.” *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (citation omitted) (en banc in relevant part).

[5] [6] To prevail on a claim of inequitable conduct in a patent case, the accused infringer must prove by clear and convincing evidence that the patentee: (1) “knew of the reference” or prior commercial sale; (2) “knew that it was material”; and (3) “made a deliberate decision to withhold it.” See *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011) (en banc). “Proving that the [patentee] knew of a reference, should have known of its materiality, and decided not to submit it to the [US]PTO does not prove specific intent to deceive.” *Id.* Instead, “the specific intent to deceive must be the single most reasonable inference able to be drawn from the evidence.” *Id.* (internal quotation marks and citation omitted).

[7] [8] [9] [10] [11] [12] [13] The inequitable conduct claim here relates to whether the patentee failed to disclose information that would have implicated the on-sale bar under 35 U.S.C. § 102(b). A patent is invalid under the on-sale bar if, before the critical date, the invention was: (1) the subject of a commercial sale or offer for sale; and (2) “ready for patenting.” *Pfaff*, 525 U.S. at 67, 119 S.Ct. 304. First, whether the claimed invention was the subject of an offer for sale is an inquiry based on “contract law principles.” *Linear Tech. Corp. v. Micrel, Inc.*, 275 F.3d 1040, 1048 (Fed. Cir. 2001). “It also involves an assessment of whether the circumstances surrounding the transaction show that the transaction was not primarily for purposes of experimentation.” *Allen Eng’g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1352–53 (Fed. Cir. 2002). “A use may be experimental only if it is designed to (1) test claimed features

of the invention or (2) ... determine whether an invention will work for its intended purpose[.]” *Clock Spring, L.P. v. Wrapmaster, Inc.*, 560 F.3d 1317, 1327 (Fed. Cir. 2009) (involving a question of public use and not the on-sale bar but stating that “[t]hough a prior commercial sale and not a prior public use was at issue in *Allen Engineering*, the factors explicated are equally relevant to an analysis of experimental use”). To determine if a transaction was conducted primarily to experiment, a district court may look to the *Allen* factors to assess the transaction's experimental nature. See *Allen Eng'g*, 299 F.3d at 1352–53. These factors include: “(1) the necessity for public testing, ... (3) the nature of the invention, [and] ... (10) whether the invention reasonably requires evaluation under actual conditions of *1325 use[.]” *Id.* (citation omitted). If a prior commercial sale was primarily for purposes of experimentation, the sale will not serve as a bar. See *Clock Spring*, 560 F.3d at 1327. “In making this patentability determination, the [trial] court should apply the preponderance of the evidence standard[.]” *Therasense*, 649 F.3d at 1291–92.

[14] Second, “[a]n invention is ‘ready for patenting’ when prior to the critical date: (1) the invention is *reduced to practice*; or (2) the invention is *depicted in drawings or described in writings* of sufficient nature to enable a [PHOSITA] to practice the invention.” *Hamilton Beach Brands, Inc. v. Sunbeam Prods.*, 726 F.3d 1370, 1375 (Fed. Cir. 2013) (citation omitted) (emphases added).

II. The District Court Did Not Abuse Its Discretion in Determining that the Patents-in-Suit Are Unenforceable Due to Inequitable Conduct¹⁵

¹⁵ Despite CleanTech's arguments to the contrary, see Appellant's Reply Br. 4, we will address the issue of inequitable conduct without first conducting a de novo review of the District Court's summary judgment on-sale bar determination. A finding of a reference's or prior sale's materiality is required for an inequitable conduct determination, see *Therasense*, 649 F.3d at 1290, which is reviewed for abuse of discretion, see *Energy Heating*, 889 F.3d at 1299. CleanTech contends that materiality may not be reviewed in the context of the inequitable conduct claim, as materiality was not properly raised before and addressed by the District Court during the inequitable conduct bench trial.

Appellant's Reply Br. 4–5. This argument is jejune. The District Court held an eight-day bench trial in which materiality was squarely before it. In addition to incorporating the evidence and findings of materiality that had been presented at the summary judgment stage, J.A. 237, the District Court admitted other relevant evidence during the trial, including documents relating to the June and July 2003 testing, J.A. 40144–45, 40153–54, and previously unheard testimony from the Inventors and attorneys with Cantor Colburn, J.A. 294, all relating to the materiality of the July 2003 Proposal. Moreover, following the bench trial, the District Court determined that “its conclusion [from the Summary Judgment Order] that [the July 2003 Proposal] evidence both elements of the on-sale bar” was “confirm[ed]” and, after incorporating “by reference the findings of fact and conclusions of law in the Summary Judgment Order,” the District Court determined that “[f]urther evidence at trial only buttresse[d] the [District] Court's earlier conclusion, particularly with respect to the ready for patenting element of the on-sale bar.” J.A. 294. Additionally, despite CleanTech's suggestions to the contrary, see Appellant's Br. 105, inequitable conduct's materiality requirement does not provide the patentee with the right to a jury and instead must be resolved by the trial court, see *Am. Calcar, Inc. v. Am. Honda Motor Co., Inc.*, 651 F.3d 1318, 1333 (Fed. Cir. 2011) (“Inequitable conduct is equitable in nature, with no right to a jury, and the trial court has the obligation to resolve the underlying facts of materiality and intent.”).

[15] [16] [17] After a bench trial, the District Court concluded that CleanTech and its attorneys at Cantor Colburn engaged in inequitable conduct in obtaining the Patents-in-Suit, rendering the patents unenforceable. J.A. 313. On appeal, CleanTech argues that the District Court made clearly erroneous findings of fact and misapplied the law with respect to its on-sale bar determination, as well as its conclusions regarding the parties' knowledge of materiality and their intent to deceive. Appellant's Br. 104, 109–10. We disagree with CleanTech.

A. On-Sale Bar

The District Court “conclude[d] that the undisputed contemporaneous evidence supports only one conclusion,

[that] the on-sale bar applies and invalidates the [Patents-in-Suit] because” the claimed invention was the subject of an offer for commercial sale and it was ready for patenting. J.A. 167. We address each determination in turn.

***1326** 1. The District Court Did Not Abuse Its Discretion in Determining the Claimed Invention Was the Subject of a Pre-Critical Date Offer for Sale

[18] The District Court concluded that the July 2003 Proposal constituted a pre-critical-date offer for sale. J.A. 299. CleanTech contends that it was not an offer as it “did not in fact perform the method for Agri-Energy, before the critical date, for a promise of future compensation.” Appellant’s Br. 37 (internal quotation marks and emphasis omitted) (citing *Plumtree Software, Inc. v. Datamize, LLC*, 473 F.3d 1152, 1162–63 (Fed. Cir. 2006)). We disagree with CleanTech.

The District Court did not abuse its discretion in determining that the claimed invention was the subject of an offer for sale in the summer of 2003. First, relying on the UCC, the District Court concluded that the July 2003 Proposal was a “sale on approval” that was made before the critical date. J.A. 169 (citing U.C.C. § 2-326); see U.C.C. § 2-326(1)(a) (“[I]f delivered goods may be returned by the buyer even though they conform to the contract, the transaction is ... a ‘sale on approval’ if the goods are delivered primarily for use[.]”); see also *Linear*, 275 F.3d at 1052 (explaining “that the [UCC] should inform the [district court’s] analysis of the contractual issues[.]” such as the on-sale bar). The July 2003 Proposal provides an offer of “all items necessary to recover oil and the price,” J.A. 167, and the Inventors understood the offer to Agri-Energy was a “first sale” that would lead to additional sales, J.A. 170–72. Accordingly, the District Court properly concluded that the July 2003 Proposal was an “offer for sale.” *Pfaff*, 525 U.S. at 67, 119 S.Ct. 304.

[19] CleanTech’s primary counterargument is unavailing. CleanTech contends that the District Court misconstrued the law by failing to apply *Plumtree*’s requirement that the “challenger must prove that the patentee either: (i) ‘made a commercial offer to perform the patented method[.]’[;] or (ii) ‘in fact performed the patented method for a promise of future compensation.’” Appellant’s Br. 36. CleanTech, however, did not make this argument before the District Court and cited to *Plumtree* only once in its summary judgment opposition and only for the proposition that the July 2003 Proposal was not invalidating because it “did not unambiguously require

use of [CleanTech’s] patented methods[.]” J.A. 26364 (citing *Plumtree*, 473 F.3d at 1163). Because we apply the law of the regional circuit as to procedural matters, see *Info-Hold, Inc. v. Muzak LLC*, 783 F.3d 1365, 1371 (Fed. Cir. 2015), here the Seventh Circuit, we will not decide an issue for the first time on appeal, see *Scheurer v. Fromm Family Foods LLC*, 863 F.3d 748, 755 (7th Cir. 2017) (“The well-established rule in th[e] Seventh] Circuit is that a plaintiff waives the right to argue an issue on appeal if she fails to raise the issue before a lower court.” (internal quotation marks and citation omitted)).

2. The District Court Did Not Abuse Its Discretion in Determining the Claimed Invention Was Ready for Patenting Before the Critical Date

[20] The District Court determined that the claimed invention was ready for patenting prior to the critical date. J.A. 167. CleanTech contends that the District Court failed to find that the claimed invention was reduced to practice “on a claim-by-claim basis” for each of the Patents-in-Suit. Appellant’s Br. 46. We disagree with CleanTech.

The District Court did not abuse its discretion in determining the claimed invention was ready for patenting in June or July 2003. First, with respect to the reduction to practice, the District Court relied *1327 upon the two tests conducted by Mr. Barlage in the summer of 2003 to support its determination. J.A. 126–27; see *Hamilton Beach Brands*, 726 F.3d at 1375 (“An invention is ‘ready for patenting’ when prior to the critical date: ... the invention is *reduced to practice*[.]” (emphasis added) (citation omitted)). The District Court explained that, in June 2003, Mr. Barlage tested an ethanol syrup with a pH, moisture content, and temperature within the claimed ranges recited in the Patents-in-Suit, compare J.A. 125–26 (describing Mr. Barlage’s testing, which heated thin stillage to a temperature of 176 °F, with a pH of “approximately 4, and moisture content between 70% and 80%”), with J.A. 920 (‘516 patent) (Dependent Claim 6) (reciting “[a] method of recovering oil from thin stillage” with a temperature between 150 °F and 212 °F, a pH between 3 and 6, and a moisture content of greater than 30% and less than 90% by weight), and separated oil from the syrup with a centrifuge, reporting that “the oil can be taken out easily,” J.A. 125–26, 171. Indeed, the Inventors themselves made statements contemporaneous to the June and July 2003 testing that the claimed invention was reduced to practice. J.A. 127 (Mr. Cantrell stating to Agri-Energy following the July 2003 Test that “ ‘[t]he

technology is available to remove the oil, and the quick payback from the new revenue stream, make this a very viable program’ ”), 111065 (Mr. Dorisio's Draft Clearance Opinion to the Inventors) (“Past correspondence indicates *your actual reduction to practice* of the removing oil from syrup aspect of the proposed invention *during experiments conducted in early to mid-June 2003*.” (emphases added)). Moreover, immediately following the July 2003 Test, Mr. Winsness then directed a VDT employee to prepare the Ethanol Oil Recovery System Diagram, J.A. 130–32; see J.A. 110044 (Ethanol Oil Recovery System Diagram), which the employee understood “was intended to become a sales drawing[.]” J.A. 132 (internal quotation marks omitted); see J.A. 246 (the VDT employee “understood that the drawings would be used for sales purposes by [Mr.] Cantrell and [Mr.] Winsness”). The District Court, after reviewing the evidence, did not abuse its discretion in determining that “the method of the patented invention ... had been performed” during June and July 2003. J.A. 171.

CleanTech's counterarguments are meritless and misleading. CleanTech disputes the District Court's determination that the June and July 2003 testing was not experimental, arguing that there were “genuine factual disputes on [its] ‘commercial’ v[ersus] ‘experimental’ ” nature. Appellant's Br. 39 (capitalization modified). Specifically, CleanTech argues that “nearly all” of the *Allen* factors support the experimental nature of the July 2003 Proposal. *Id.* at 40. As an initial matter, CleanTech misrepresents the *Allen* factors and supports its arguments with testimony that was discredited by the District Court. *Compare id.* (“*Allen* factors [one] and [ten] ask whether the inventors ‘needed’ to experiment with the invention ‘under actual conditions of use.’ ” (internal brackets and emphasis omitted)), with *Allen Eng'g*, 299 F.3d at 1353 (explaining that factor one assesses whether there is “the necessity for public testing” and factor ten addresses “whether the invention reasonably requires evaluation under actual conditions of use”). CleanTech argues its testing was experimental because its claimed invention “clearly” “ ‘needed’ to experiment with the invention ‘under actual conditions of use.’ ” Appellant's Br. 40 (quoting *Allen Eng'g*, 299 F.3d at 1353) (internal brackets omitted). The District Court did not abuse its discretion in discounting this argument, as it explained that a “reduction to practice does not require a showing that the method would work acceptably in a plant environment, unless the claims require it, and *1328 the claims here do not.” J.A. 172 (internal quotation marks and citation omitted); see *In re Cygnus Telecomms. Tech., LLC*, 536 F.3d 1343, 1355 (Fed. Cir. 2008) (explaining that

a system that would not have worked on a “commercial scale[.]” but that “embodied the claims” of the “patents at issue[.]” satisfied the “ ‘ready for patenting’ prong” of the on-sale bar). The District Court considered the *Allen* factors and concluded that the offer to Agri-Energy was an offer for sale and not for purposes of experimentation. J.A. 167; see *Allen Eng'g*, 299 F.3d at 1352–53. For these reasons, we conclude that the District Court did not clearly err in its determination.

Second, the District Court found the claimed invention was ready for patenting because it had been depicted and described in such a way that a PHOSITA would be able to practice it. J.A. 172–73; see *Hamilton Beach Brands*, 726 F.3d at 1375 (“An invention is ‘ready for patenting’ when prior to the critical date ... the *invention is depicted in drawings or described in writings* of sufficient nature to enable a [PHOSITA] to practice the invention.” (emphasis added) (citation omitted)). Despite CleanTech's argument that its expert opined the Inventors had not prepared drawings or other descriptions of the invention that were sufficiently specific to enable a PHOSITA to practice it, see Appellant's Reply Br. 18 (emphasis omitted), Appellant's Br. 47, the District Court determined that, while there was no “single reference that specifically delineate[d]” the method “disclosed by the [Patents-in-Suit], the Ethanol [Oil Recovery] System Diagram” in combination “with [Mr.] Barlage's lab tests and results” and “communications from [Mr.] Cantrell to Agri-Energy ... would allow a [PHOSITA] to practice the invention of the [Patents-in-Suit.]” J.A. 173. The District Court explained that “[t]here is no mystery or dispute that the pH, moisture content[,] and temperature ranges in the claims of the [Patents-in-Suit] are those that occur at the standard operating conditions of a dry mill ethanol plant.” J.A. 173. CleanTech has not shown clear error in these factual findings and we reject the invitation to reweigh the evidence. Accordingly, the District Court did not abuse its discretion in its on-sale bar determination.

B. The District Court Did Not Abuse Its Discretion in Concluding that CleanTech and Its Lawyers Made a Deliberate Decision to Withhold Material Information with the Specific Intent to Deceive the USPTO

The District Court 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. J.A. 303, 308. The District Court “conclude[d] that the [I]nventors and the[ir] attorneys intentionally withheld

material information from the [US]PTO during prosecution” of the Patents-in-Suit, thereby rendering the Patents-in-Suit unenforceable due to inequitable conduct. J.A. 312; see *Therasense*, 649 F.3d at 1290 (explaining that inequitable conduct requires a showing of clear and convincing evidence that the patentee “knew of the reference, knew that it was material, and made a deliberate decision to withhold it”). CleanTech contends that that District Court erred in its materiality and intent to deceive findings. Appellant’s Br. 104–05. We disagree with CleanTech.

[21] The District Court did not abuse its discretion in rendering unenforceable the Patents-in-Suit for inequitable conduct. For the reasons discussed above, see *supra* Section II.A, we conclude that the District Court did not abuse its discretion in concluding that CleanTech and its attorneys were aware that the claimed invention was ready for patenting, as evidenced by documents *1329 belatedly or not turned over to the USPTO, and that they knew of those documents’ materiality. In addition to knowledge and materiality, inequitable conduct requires a clear and convincing showing that CleanTech “made a deliberate decision to withhold” the material information. See *Therasense*, 649 F.3d at 1290. Moreover, “the specific intent to deceive must be ‘the single most reasonable inference drawn from the evidence.’ ” *Id.* Here, the District Court did not abuse its discretion in determining for numerous reasons that CleanTech deliberately withheld material information.

First, the District Court concluded that CleanTech knew the July 2003 Proposal to Agri-Energy threatened its chances of patenting its ethanol oil recovery method. J.A. 299 (explaining “that the [I]nventors made a mistake in July/August 2003 and offered their invention for sale to Agri-Energy” and “[l]ater ... took affirmative steps to hide that fact from their lawyers, then, later the [US]PTO when they learned that it would prevent them from profiting from the patents”). This determination is supported by the record. In February 2004, the Inventors sought information from the USPTO website about provisional patent applications and the on-sale bar. J.A. 252. Days later, Mr. Dorisio informed the Inventors about the on-sale bar. J.A. 252. The District Court did not clearly err in finding that CleanTech was aware of the on-sale bar and its requirements. See *Energy Heating*, 889 F.3d at 1302–03 (concluding that the district court did not abuse its discretion in finding an inventor’s knowledge that sales of the claimed invention prior to the critical date were material, and the inventor’s failure to disclose the sales was intended to deceive the USPTO).

Second, the District Court found that the Inventors and the attorneys at Cantor Colburn withheld evidence of successful testing in 2003 and made false representations by implying that the invention was not reduced to practice until 2004. J.A. 302 (“[N]ot providing information regarding the [I]nventors’ dealings with Agri-Energy or [Mr.] Barlage[s] bench-top test raises an inference that the patentees intended to deceive the [US]PTO—it was pre-critical date information that had a direct bearing on the ability of the [I]nventors to prove that their claims were patentable.”). This finding is supported by the record. Cantor Colburn began representing CleanTech in March 2008 and, by at least September 2008, were aware of Mr. Barlage’s testing in June and July 2003. J.A. 111075. Mr. Winsness informed Cantor Colburn that the “testing we did in June 2003” showed that “a sequence of evaporation followed by centrifugation allows for oil recovery[.]” J.A. 111075. Moreover, the Inventors informed Cantor Colburn that, based on the summer 2003 testing, the Inventors “believe[d] [that] the process would work on a commercial scale.” J.A. 263 (internal quotation marks omitted). Cantor Colburn was also in possession of the Ethanol Oil Recovery System Diagram and the test reports themselves. J.A. 301. Despite possessing this information, Cantor Colburn did not provide it to the USPTO during the prosecution of the Patents-in-Suit and referenced it only to assert that the claimed invention predated Prevost. J.A. 301–02, 304–06, 309. Moreover, in June 2009, Cantor Colburn filed a letter with the USPTO stating that feasibility testing occurred in May 2004, with no mention of the documents dated a year earlier. J.A. 303. This letter was filed in the prosecutions of each of the Patents-in-Suit. J.A. 304–05. The District Court did not clearly err in its finding that CleanTech and Cantor Colburn withheld material evidence from the USPTO. See *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995) (“[Patentees] who are not ‘up front’ with the [US]PTO run the risk that, years *1330 later, a fact-finder might conclude they intended to deceive. This is what appears to have happened here and we must affirm the trial court.”); see also *id.* (“Applicants for patents are required to prosecute patent applications in the [US]PTO with candor, good faith, and honesty. ... This duty extends also to the applicant’s representatives.” (internal footnote and citations omitted)).

Third, the District Court determined that CleanTech and Cantor Colburn “threatened” Agri-Energy to coerce its support regarding the critical date for the Patents-in-Suit, after the July 2003 Proposal surfaced and during the pendency of the ‘516 and ‘517 patents. J.A. 308. Specifically, in June 2009,

Mr. Winsness traveled to Agri-Energy and “offered Agri-Energy a royalty-free license in exchange for Agri-Energy’s willingness to admit that the pending patents were valid.” J.A. 269. In July 2009, Cantor Colburn sent Agri-Energy an email offering “a release of liability for any prior use of an extraction system” and indemnification “against any liability” in return “for cooperating with [CleanTech] and for clarifying the use of the corn oil system in 2004.” J.A. 110322. Moreover, Cantor Colburn requested a statement “confirming and clarifying” certain facts relating to the offer. J.A. 110322–23. Agri-Energy’s manager testified that he “did not accept the offer from [Cantor Colburn and CleanTech] because the statements were not true.” J.A. 271. Notably, Cantor Colburn “failed to request that Agri-Energy provide any documents” regarding its interactions with the Inventors. J.A. 271. The District Court did not abuse its discretion in concluding that these attempts to threaten Agri-Energy spoke to CleanTech’s and Cantor Colburn’s intent to deceive the USPTO.

Fourth, the District Court concluded that the Inventors and Cantor Colburn made a “patently false” statement in the First Cantrell Declaration, by claiming the July 2003 Proposal was delivered to Agri-Energy after the critical date. J.A. 276; *see* J.A. 307 (“[T]he [I]nventors and attorneys misrepresented to the [US]PTO that the [July 2003 Proposal] was immaterial by filing the false [First] Cantrell ... Declaration[.]”). The District Court’s determination that the declaration was false is supported by the evidence. Specifically, it was not until August 2010 that Mr. Cantrell told Cantor Colburn that he recalled he had personally delivered the July 2003 Proposal to Agri-Energy on August 18, 2003. J.A. 272. The attorneys at Cantor Colburn testified that they themselves were skeptical of the veracity of the claim, as the date specified by Mr. Cantrell would alleviate all concerns about the on-sale bar. J.A. 272–73. Nonetheless, Cantor Colburn filed the First Cantrell Declaration in November 2010 for the ‘516 and ‘517 patent prosecutions, J.A. 276–77, and in the ‘484 patent prosecution in July 2011, J.A. 277. This was done notwithstanding the Inventors’ knowledge that Mr. Barlage had practiced the claimed method in June 2003 and they had offered to sell the claimed invention to Agri-Energy in July or early August of 2003. J.A. 292–93; *see Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1571 (Fed. Cir. 1983) (“[T]here is no room to argue that submission of false affidavits is not material.”). Moreover, prior to Mr. Cantrell’s August 2010 statement, Cantor Colburn had prepared a detailed disclosure that included information about the June and July 2003 Tests and Report and the Ethanol Oil Recovery System Diagram, which the law firm had possessed

since September 2008. J.A. 308; *see* J.A. 111075–104 (Email from Mr. Winsness to Mr. Hagerty Dated September 2008) (providing “some history of testing we did in June 2003 to discover that a sequence of evaporation followed by centrifugation allows for oil recovery[.]” including the June 2003 Report). Following Mr. Cantrell’s *1331 statements, the disclosure was discarded and never filed in any patent prosecution. J.A. 308. Based on this, the District Court concluded that “[t]he *only reasonable inference* is that [Cantor Colburn] believed the [I]nventors had made an offer and, with the feasibility testing letter already before the [US]PTO in both prosecutions, ... which implied a later reduction to practice date, *they chose advocacy over candor.*” J.A. 308 (emphases added). The District Court did not abuse its discretion in concluding that the “patently false” statement in the First Cantrell Declaration was material and supported its intent to deceive determination.

Fifth, the District Court explained that the Inventors’ and Cantor Colburn’s failure to correct the false declaration in the ‘484 patent prosecution was “strong evidence of intentional deceit[.]” J.A. 309. Specifically, at Mr. Cantrell’s September 2011 deposition, where Mr. Cantrell and Cantor Colburn “*kn[e]w for certain* that [Mr.] Cantrell’s First Declaration [was] false,” no correction was made then or during the following eight months. J.A. 309 (emphasis added); *see* J.A. 280 (“Most disturbing is that, during this period, neither litigation counsel nor [Mr.] Hagerty did anything to alert the [US]PTO that [Mr.] Cantrell’s First Declaration was false[.]”). In July 2012, the Second Cantrell Declaration was filed with the USPTO, in which Mr. Cantrell attested that “[a]ttached is an e-mail sent from my e-mail account on August 1, 2003” and that “[t]he [July 2003 Proposal] attached to the August 1 email was unsigned.” J.A. 110274. As the District Court explained, the Second Cantrell Declaration provided “the false impressions that [Mr.] Cantrell may not have sent the [August 2003 Email] and that the unsigned letter had less significance than the ‘signed’ one he allegedly hand delivered later the same month,” it “repeats false information,” and “fails to distinctly point out and/or explain the false information previously provided to the examiner[.]” J.A. 283. Based on this evidence, we conclude that the District Court did not abuse its discretion in concluding that, by clear and convincing evidence, the single most reasonable inference to be drawn from the record was that the Inventors and Cantor Colburn intended to deceive the USPTO. *See Energy Heating*, 889 F.3d at 1302–03.

CleanTech raises numerous counterarguments, all of which are unavailing. First, CleanTech argues that the District Court's review of materiality "exceeded the scope of the bench trial, which was only on 'inequitable conduct.'" Appellant's Br. 105. Materiality is, however, an element of the inequitable conduct claim and was squarely before the District Court. See *Therasense*, 649 F.3d at 1290 ("In a case involving nondisclosure of information, clear and convincing evidence must show that the applicant made a deliberate decision to withhold *a known material reference*." (internal quotation marks and citation omitted) (emphasis altered)). In fact, CleanTech itself raised materiality in pre-trial briefing, contending that the Appellants "will also not be able to establish that any of the alleged errors and omissions, aside from the misstatements found in [Mr.] Cantrell's first declaration, would have been 'but-for' material." J.A. 63467. Accordingly, the District Court did not err in making a materiality determination.

Second, CleanTech avers that the District Court's materiality finding violated its right to a jury trial. Appellant's Br. 105. Given that inequitable conduct is based in equity, there is no right to a jury trial. See *Am. Calcar*, 651 F.3d at 1333 ("Inequitable conduct is equitable in nature, with no right to a jury, and the trial court has the obligation to resolve the underlying facts of materiality and intent.").

Third, CleanTech contends that the District Court "barred CleanTech from re-litigating materiality" by excluding some *1332 evidence involving the USPTO's actions permitting "a continuation in the [Patents-in-Suit]" even after the USPTO was provided with evidence of the July 2003 Proposal and related materials. Appellant's Br. 105–06. The evidence was excluded under *Federal Rule of Evidence* 403, because the District Court determined that its probative value was outweighed by the likelihood that it would confuse and prolong the trial. J.A. 71952–53; see *Fed. R. Evid.* 403 ("The court may exclude relevant evidence if its probative value is substantially outweighed by a danger of one or more of the

following: unfair prejudice, confusing the issues, ... undue delay, [or] wasting time[.]"). To the extent that CleanTech is contesting the *Rule* 403 determination, it did not do so before the District Court and so waives the issue here. See *Scheurer*, 863 F.3d at 755. Accordingly, the District Court did not abuse its discretion in reaching its inequitable conduct determination.¹⁶

¹⁶ As we affirm the District Court's determination that the Patents-in-Suit are unenforceable due to the inequitable conduct, we need not address CleanTech's additional arguments regarding the other grounds upon which the District Court ruled the Patents-in-Suit invalid. See *Energy Heating*, 889 F.3d at 1308 (concluding that, where a trial court's judgment that a "patent is unenforceable for inequitable conduct" is affirmed, this court need "not reach the [trial] court's summary judgment of obviousness, claim construction order, or summary judgment of no direct infringement").

CONCLUSION

We have considered the parties' other arguments and each of the remaining issues raised on appeal and cross-appeal and find them to be without merit. Accordingly, the judgments below are

AFFIRMED

COSTS

Costs to the Appellees and Cross-Appellant.

All Citations

951 F.3d 1310

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

XIAOHUA HUANG,
Plaintiff-Appellant

v.

HUAWEI TECHNOLOGIES CO., LTD.,
Defendant-Appellee

2017-1505, 2017-1767, 2017-1893, 2017-2092, 2017-2229

Appeals from the United States District Court for the
Eastern District of Texas in No. 2:15-cv-01413-JRG-RSP,
Judge J. Rodney Gilstrap.

Decided: June 8, 2018

XIAOHUA HUANG, Campbell, CA, pro se.

E. LEON CARTER, Carter Scholer Arnett & Mockler
PLLC, Dallas, TX, for defendant-appellee. Also repre-
sented by SCOTT W. BREEDLOVE, JOHN STEVEN
TORKELSON; GREGORY A. CASTANIAS, DANIEL KAZHDAN,
Jones Day, Washington, DC.

Before REYNA, LINN, and CHEN, *Circuit Judges*.

PER CURIAM.

Appellant Xiaohua Huang, proceeding *pro se*, appeals several rulings from the United States District Court for the Eastern District of Texas, including the district court's grant of summary judgment of noninfringement and grant of attorneys' fees and expert costs. Mr. Huang has filed five separate appeals in this court, all pertaining to the district court action.¹ The five appeals have been consolidated and are addressed below. Because the district court did not err or abuse its discretion in granting summary judgment, granting attorneys' fees and costs, and in other rulings challenged by Mr. Huang, we *affirm*.

BACKGROUND

I. Initiation of the Lawsuit

Mr. Huang is the owner of U.S. Patent Nos. 6,744,653, 6,999,331, and RE45259 (collectively, the "Huang patents"). The Huang patents relate to ternary content addressable memory ("TCAM") technology in the field of semiconductor chips. TCAM is a type of computer memory used in search applications that can achieve high-speed routing and switching in networking devices.

¹ Mr. Huang filed a first appeal (2017-1505) after summary judgment of noninfringement. Mr. Huang filed a second appeal (2017-1767), challenging the district court's decision to award unquantified fees and several of the underlying orders. Mr. Huang's third appeal (2017-1893) concerns the district court's quantified fee award and several of the same underlying orders. Mr. Huang's fourth (2017-2092) and fifth (2017-2229) appeals are largely duplicative of the first three appeals.

On August 14, 2015, Mr. Huang filed the original complaint on behalf of himself and his company, CMOS Micro Device Inc. (“CMOS”), which develops TCAM technology. The complaint alleged that Huawei Technologies Inc. (“Huawei”) infringed the Huang patents by making and selling “switches.” SAppx29. Huawei filed a motion to compel CMOS to obtain counsel on the grounds that a corporation may not proceed *pro se*. In response, Mr. Huang amended his complaint to drop CMOS from the lawsuit.

Early in the case, the parties jointly moved for entry of an agreed protective order. The protective order provided that certain types of confidential information designated as “attorneys’ eyes only” would be subject to disclosure only to counsel, including outside counsel and “in-house counsel with no competitive decision-making authority.” SAppx59–62. The protective order also limited disclosure of information designated as confidential source code to “outside counsel and up to three (3) outside consultants or experts.” *Id.*

On December 1, 2015, Mr. Huang served his infringement contentions pursuant to local patent rules, accusing seven Huawei switches and routers of infringement on the basis that they contained certain third-party chips that allegedly infringed the Huang patents. On January 20, 2016, Mr. Huang filed a third amended complaint following additional early motion practice. The amended complaint also included contentions that Huawei products infringed on the basis of products from third-party suppliers.

II. Discovery and Rule 11 Motions

After serving invalidity contentions, Huawei served a Rule 11 safe-harbor letter² on Mr. Huang on March 22, 2016. The letter asserted that Mr. Huang's claims were baseless and that a pre-suit investigation would have revealed that some of the accused products were never sold in the United States. Huawei also made various documents available, including documents from third-party suppliers designated as attorneys' eyes only pursuant to the protective order. Huawei contended that the documents showed that the accused products did not infringe the Huang patents and requested that Mr. Huang hire an attorney who could have access to the designated information to evaluate Huawei's contentions. Mr. Huang refused Huawei's request, and on May 23, 2016, Huawei filed a Rule 11 motion.

A few days later, Mr. Huang filed motions to amend the complaint and his infringement contentions in order to add seventy-four additional Huawei products. All of the additional products were listed on Huawei's public website on December 1, 2015, when Mr. Huang initially served his infringement contentions.

On July 8, 2017, Mr. Huang filed the first of several motions to compel access to information designated as attorneys' eyes only and confidential source code. Mr. Huang took no depositions and served no interrogatories during discovery.

² Pursuant to Federal Rule of Civil Procedure 11, Huawei's letter attached its intended motion for Rule 11 sanctions and gave Mr. Huang notice of Huawei's intent to move at least twenty-one days in advance of filing.

III. The July 2016 Hearing and Stay of the Case

In lieu of a planned *Markman* hearing, the magistrate judge set a hearing for July 27, 2016, on several pending motions, including Mr. Huang's first motion to compel, his motions to amend the infringement contentions and the third amended complaint, and Huawei's Rule 11 motion. The court denied Mr. Huang's motion to compel the designated confidential information on the basis that Mr. Huang was prohibited from personally gaining access to it under the terms of the protective order. The court denied the motion without prejudice, instructing Mr. Huang that he could re-file it after retaining counsel who could seek access to the designated information. The court also denied Mr. Huang's motions to amend the infringement contentions and the complaint for lack of good cause.

At the hearing, the court explained the difficulties Mr. Huang would face in satisfying the burden of proof in his case without access to designated confidential information and encouraged him to obtain counsel. Mr. Huang represented that he had tried to retain counsel and would continue to do so. Mr. Huang also asserted that he could prove his case without personally gaining access to the confidential information by hiring a third party to reverse engineer the accused chips, a process that he acknowledged would cost hundreds of thousands of dollars. SAppx1066–75. Despite Mr. Huang's assertion that he did not need access to confidential information, the court stayed the case for sixty days to allow Mr. Huang time to seek assistance of counsel and deferred ruling on Huawei's Rule 11 motion.

About two weeks after the July hearing, during the stay, Mr. Huang filed the first of several more motions to compel the same type of designated confidential information he previously sought. Mr. Huang also filed additional motions to amend the complaint and to amend

infringement contentions—the same motions denied by the court at the July hearing. The court denied all of Mr. Huang’s renewed motions without prejudice in light of the stay.

At this point, Mr. Huang filed a separate patent infringement suit, alleging infringement of the Huang patents by the same seventy-four Huawei products he attempted to add to his first case. Mr. Huang then filed a motion to consolidate the two cases.

IV. Summary Judgment

On September 29, 2016, Huawei moved for summary judgment of noninfringement as to all three Huang patents. Huawei asserted that summary judgment was warranted for lack of infringement evidence and because its own evidence established noninfringement. In response to Huawei’s motion, Mr. Huang submitted exhibits of purported reverse-engineering images and drawings, including hand-drawn figures, that he had not produced in discovery. His exhibits also included declarations from previously undisclosed witnesses. Huawei moved to strike several of Mr. Huang’s exhibits on various grounds, including failure to produce or disclose them during discovery.

On November 22, 2016, the magistrate judge issued a combined order and report and recommendation on summary judgment and several other motions. The magistrate judge recommended granting summary judgment, finding that Mr. Huang had not raised a triable issue of fact, and noted that Mr. Huang chose not to hire an attorney that would have been able to access protective order information on the Huawei products. The magistrate judge granted Huawei’s motion to strike on the basis that Mr. Huang failed to produce or disclose during discovery the exhibits that he submitted with his response.

In the same order, the court denied third and fourth motions to compel filed by Mr. Huang. Mr. Huang had recently retained experts and asserted that they should have access to the designated information he sought in his prior motions to compel. The court reasoned that providing the experts with the designated information would be of no use to Mr. Huang, referring to the reasons explained at the July hearing. Four days after the magistrate judge's order, Mr. Huang filed a fifth motion to compel similar information, which the court denied.

On December 7, 2016, the district judge adopted the magistrate judge's November 22 order and report and recommendation, overruling objections filed by Mr. Huang. The next day, Mr. Huang filed a second challenge to the magistrate judge's ruling, which the district judge again denied while confirming that Mr. Huang's claims were dismissed.

V. Attorneys' Fees and Costs

On January 31, 2017, Huawei moved for fees and expert costs under 35 U.S.C. § 285 and the court's inherent power. In support, Huawei submitted declarations stating that Mr. Huang repeatedly contacted Huawei's in-house counsel about settlement, despite Huawei's outside counsel's repeated instructions to Mr. Huang not to do so. The declarations asserted that Mr. Huang 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. Huawei's fees motion also pointed to Mr. Huang's allegations that Huawei, its attorneys, and its third-party declarants had purportedly made perjured statements in

Huawei's summary judgment declarations.³ Mr. Huang responded by making additional unsupported perjury allegations.

After a hearing, the magistrate judge granted Huawei's fees motion, finding that the case was exceptional under § 285 and worthy of granting expert costs under the court's inherent power. The court found that Mr. Huang "offered no satisfactory explanation for his litigation conduct," which the court determined was in bad faith and an abuse of the judicial process. *Xiaohua Huang v. Huawei Techs. Co.*, No. 2:15-CV-1413, 2017 WL 1133201, at *3–4 (E.D. Tex. Mar. 27, 2017). The court found that Mr. Huang's motion practice corroborated the statements about Mr. Huang's litigation motives in Huawei's declarations in support of its fees motion. The court noted it had given Mr. Huang ample opportunity to retain assistance of counsel and that Mr. Huang's *pro se* status did not relieve him from the consequences of frivolous litigation conduct. On these grounds, the court awarded attorneys' fees and costs to Huawei.

In quantifying the fees and costs awarded, the magistrate judge limited the amount to those incurred from the date of Huawei's Rule 11 safe-harbor letter to the grant of summary judgment on December 7, 2016. The court awarded a total of \$604,036.71.⁴

³ Mr. Huang's unsupported perjury allegations began after dismissal of his claims and Huawei's rejection of a five-figure settlement offer, and included filing a motion requesting that Huawei's declarants be criminally prosecuted.

⁴ Mr. Huang objected to the magistrate judge's decision by making additional accusations of perjury and characterizing the magistrate judge's ruling as "deliber-

This court has jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

I. Summary Judgment

Huawei moved for summary judgment of noninfringement on the basis that Mr. Huang presented no evidence showing the structure or operation of the accused Huawei products to support his allegations of infringement. Huawei also contended that it presented affirmative evidence of noninfringement through its own documents and declarations from Huawei employees and a technical expert. The district court granted Huawei's motion for summary judgment and dismissed Mr. Huang's claims. Mr. Huang argues that the district court erred because he presented evidence of infringement through several exhibits attached to his opposition to Huawei's summary judgment motion. We agree with the district court.

We review a grant of summary judgment under the law of the regional circuit, in this case, the Fifth Circuit. *See Travel Sentry, Inc. v. Tropp*, 877 F.3d 1370, 1376 (Fed. Cir. 2017). The Fifth Circuit reviews a grant of summary judgment *de novo*. *Triple Tee Golf, Inc. v. Nike, Inc.*, 485 F.3d 253, 261 (5th Cir. 2007). On appeal from a grant of summary judgment of noninfringement, we determine whether no reasonable jury could find infringement after resolving reasonable factual inferences

ately an abuse of discretion.” Appx6. In overruling the objections, the district judge warned that he “may issue further sanctions for [Mr. Huang’s] flagrant abuse of the judicial process” and unsupported allegations against Huawei and the magistrate judge. SAppx24.

in favor of the patentee. *IMS Tech., Inc. v. Haas Automation, Inc.*, 206 F.3d 1422, 1429 (Fed. Cir. 2000).

Mr. Huang failed to produce any evidence showing the structure or operation of Huawei's accused products or how the limitations of the claims of the Huang patents were met by such accused products. Without Mr. Huang having access to information on the accused Huawei products, he could not show how they purportedly infringed the Huang patents. Moreover, Huawei presented un rebutted evidence of noninfringement. Even considering the evidence in the light most favorable to Mr. Huang, it does not establish a genuine dispute of material fact such that a reasonable jury could find infringement. See Appx13, 20–21. Accordingly, we affirm the district court's grant of summary judgment of noninfringement.

Mr. Huang also challenges the district court's decision to grant Huawei's motion to strike several exhibits attached to his response in opposition to Huawei's motion for summary judgment, including purported reverse-engineering records. Mr. Huang contends that because he filed his opposition with the attached exhibits on the last day of discovery, the district court erred in granting Huawei's motion to strike. Huawei responds that the district court properly struck Mr. Huang's exhibits because they consisted of declarations from previously undisclosed witnesses and were based on purported reverse-engineering records that were never produced, in violation of Mr. Huang's discovery obligations.

"A district court's rulings regarding evidence it will consider in deciding a motion for summary judgment are reviewed for abuse of discretion." *Tex. E. Transmission Corp. v. Amerada Hess Corp.*, 145 F.3d 737, 741 (5th Cir. 1998); see also *United States v. Phillips*, 219 F.3d 404, 409 (5th Cir. 2000) ("We review the district court's admission of evidence for an abuse of discretion."). We agree that

Mr. Huang's failure to meet his discovery obligations by not producing information⁵ central to his case provides a sufficient basis for striking Mr. Huang's exhibits. Thus, the district court did not abuse its discretion in granting Huawei's motion to strike.

II. Attorneys' Fees and Costs

The district court found that this was an exceptional case and granted attorneys' fees to Huawei under § 285. We agree. An "exceptional" case "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." *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1748 (2014). "[T]he exceptional-case determination is to be reviewed only for abuse of discretion." *Id.* We give deference to the district court as it "is better positioned to decide whether

⁵ The record indicates that Mr. Huang withheld this information from Huawei, despite its repeated requests to produce it. While Mr. Huang claims that he provided the information at issue with his summary judgment opposition on the last day of discovery, the record shows that he relied on declarations from witnesses who had never been previously disclosed. *See e.g.*, SAppx755, 883–85. Moreover, the record indicates that he never produced the raw data underlying several exhibits to his summary judgment opposition. *See* SAppx884. Mr. Huang's amended initial and additional disclosures, filed after the close of discovery, indicated that he had information "ready to be released to Defendant upon [*sic*] the Defendant provides the information which Plaintiff required [*sic*]" and listed the same types of confidential information subject to his motions to compel that he requested from Huawei. SAppx 776.

a case is exceptional . . . because it lives with the case over a prolonged period of time.” *Id.* (internal quotation marks omitted).

The record reflects that Mr. Huang presented no evidence to support his litigation position and that Mr. Huang litigated the case in a frivolous manner. Mr. Huang submitted no evidence of pre-suit investigation and no evidence of infringement. Huawei submitted evidence that Mr. Huang’s intent from the outset of the litigation was to force Huawei to incur legal fees in hopes that it would quickly settle. Mr. Huang did not attempt to refute this evidence except with baseless allegations of perjury against Huawei’s declarants and counsel. Further, Mr. Huang’s accelerating motion practice as the case progressed, including filing repetitive and nearly identical motions, was unreasonable litigation conduct and consistent with the declarations submitted by Huawei in support of its fees motion.

As the district court observed, *pro 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. *See, e.g., Yufa v. TSI Inc.*, No. 09-CV-1315, 2014 WL 4071902, at *4 (N.D. Cal. Aug. 14, 2014); *Comora v. Thermo Cardiosystems, Inc.*, No. 91-CV-5620, 1992 WL 315226, at *4 (C.D. Cal. May 5, 1992). Accordingly, we affirm the district court’s award of attorneys’ fees under § 285.

The district court also granted expert costs under its inherent power. Several times, the district court found that Mr. Huang’s litigation behavior constituted bad faith and an abuse of the judicial process. Appx6, 14. We review the district court’s grant of sanctions under its inherent power *de novo*. *F.D.I.C. v. Maxxam, Inc.*, 523 F.3d 566, 590 (5th Cir. 2008). Upon review of the record,

we agree with the findings of the district court. Accordingly, the district court did not err in invoking its inherent authority to award expert costs.

CONCLUSION

Mr. Huang challenges several other rulings made by the district court. We have reviewed Mr. Huang's remaining arguments and consider them to be without merit. For the foregoing reasons, the court *affirms* the district court's grant of summary judgment of noninfringement, grant of attorneys' fees and expert costs, and the other district court rulings challenged by Mr. Huang.

AFFIRMED

COSTS

Costs to Appellee.

**United States Court of Appeals
for the Federal Circuit**

**IN RE: REMBRANDT TECHNOLOGIES LP PATENT
LITIGATION**

**REMBRANDT TECHNOLOGIES, LP, REMBRANDT
TECHNOLOGIES, LLC, DBA REMSTREAM,
*Plaintiffs-Appellants***

v.

**COMCAST OF FLORIDA/PENNSYLVANIA, LP,
ADELPHIA CONSOLIDATION LLC, MOTOROLA,
INC., CISCO SYSTEMS, INC., COMCAST OF
PENNSYLVANIA II, LP, CENTURY-TCI
CALIFORNIA COMMUNICATIONS, LP, CENTURY-
TCI HOLDINGS, LLC, PARNASSOS
COMMUNICATIONS, LP, CSC HOLDINGS, INC.,
TIME WARNER CABLE LLC, TIME WARNER
CABLE ENTERPRISES LLC, COXCOM, INC.,
SCIENTIFIC-ATLANTA, INC., THOMSON, INC.,
NETGEAR, INC., CHARTER COMMUNICATIONS
OPERATING LLC, CCO HOLDINGS LLC,
ADELPHIA COMMUNICATIONS CORPORATION,
PARNASSOS HOLDINGS, LLC, COMCAST CABLE
COMMUNICATIONS, LLC, COMCAST
CORPORATION, CABLEVISION SYSTEMS
CORPORATION, AMBIT MICROSYSTEMS, INC.,
*Defendants-Appellees***

**CENTURY-TCI DISTRIBUTION COMPANY, LLC,
WESTERN NY CABLEVISION, LP, SHARP
CORPORATION, SHARP ELECTRONICS CORP.,
CBS CORPORATION, NBC UNIVERSAL INC,**

**CENTURY-TCI CALIFORNIA, LP, PARNASSOS
DISTRIBUTION COMPANY I, LLC, PARNASSOS
DISTRIBUTION COMPANY II, LLC, PARNASSOS,
LP, ABC, INC, COMCAST CABLE
COMMUNICATIONS HOLDINGS, INC, COMCAST
OF PLANO, LP, FOX BROADCASTING COMPANY,
FOX ENTERTAINMENT GROUP, INC.**

Defendants

2017-1784

Appeal from the United States District Court for the District of Delaware in Nos. 1:06-cv-00635-GMS, 1:06-cv-00721-GMS, 1:06-cv-00727-GMS, 1:06-cv-00729-GMS, 1:06-cv-00730-GMS, 1:06-cv-00731-GMS, 1:07-cv-00396-GMS, 1:07-cv-00397-GMS, 1:07-cv-00398-GMS, 1:07-cv-00399-GMS, 1:07-cv-00400-GMS, 1:07-cv-00401-GMS, 1:07-cv-00402-GMS, 1:07-cv-00403-GMS, 1:07-cv-00404-GMS, 1:07-cv-00752-GMS, 1:07-md-01848-GMS, Judge Gregory M. Sleet.

Decided: July 27, 2018
SEALED OPINION ISSUED: July 27, 2018
PUBLIC OPINION ISSUED: August 15, 2018*

THOMAS GOLDSTEIN, Goldstein & Russell, P.C., Bethesda, MD, argued for plaintiffs-appellants. Also represented by TEJINDER SINGH.

* This opinion was originally filed under seal and has been unsealed in full.

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Before O'MALLEY, MAYER, and REYNA, *Circuit Judges*.

O'MALLEY, *Circuit Judge*.

This appeal derives from a multitude of patent infringement actions that plaintiffs-appellants Rembrandt Technologies, LLC and Rembrandt Technologies, L.P. (collectively, "Rembrandt") filed in the mid-2000s against dozens of cable companies, cable equipment manufacturers, and broadcast networks. The cases were consolidated in the District of Delaware. After several years of litigation, the district court entered final judgment against Rembrandt as to all claims.

Many of the defendants (collectively, "Appellees") thereafter filed a motion requesting attorney fees under 35 U.S.C. § 285. Nearly four years after the litigation ended, the district court issued a brief order granting that motion and declaring the case exceptional. *In re Rembrandt Techs., LP Patent Litig.*, No. 1:07-md-01848-GMS (D. Del. Aug. 20, 2015), ECF No. 951 ("*Exceptional Case Order*"). The court then granted the bulk of Appellees' requests for fees, including nearly all of the attorney fees Appellees incurred in the litigation. *In re Rembrandt Techs., LP Patent Litig.*, No. 1:07-md-01848-GMS (D. Del. Aug. 24, 2016), ECF No. 1013 ("*First Fees Order*"). In total, the court awarded Appellees more than \$51 million in fees. *In re Rembrandt Techs., LP Patent Litig.*, No. 1:07-md-01848-GMS (D. Del. Mar. 2, 2017), ECF No. 1044 ("*Second Fees Order*").

Rembrandt appeals both the district court's exceptional-case determination and its fee award. We conclude that the district court did not abuse its discretion in deeming this case exceptional, but that the court erred by failing to analyze fully the connection between the fees awarded and Rembrandt's misconduct. We thus affirm the district court's exceptional-case determination, vacate the district court's fee award, and remand for further proceedings.

I. BACKGROUND

A. The Patents in Suit

The underlying litigation involves nine patents belonging to Rembrandt. Eight of them address cable modem technology—U.S. Patent Nos. 4,937,819 (“the ’819 patent”), 5,008,903 (“the ’903 patent”), 5,710,761 (“the ’761 patent”), 5,719,858 (“the ’858 patent”), 5,778,234 (“the ’234 patent”), 5,852,631 (“the ’631 patent”), 6,131,159 (“the ’159 patent”), and 6,950,444 (“the ’444 patent”). The ninth patent, U.S. Patent No. 5,243,627 (“the ’627 patent”), involves over-the-air signals. Although the patented technology is not directly relevant here, the history of the patents and the documents associated with the technology bears heavily on the issues on appeal.

1. Rembrandt and Paradyne

Before Rembrandt obtained the patents at issue, they belonged to Paradyne Networks, Inc. (“Paradyne”), a former AT&T subsidiary that developed, manufactured, and distributed network access products. Three former Paradyne employees are relevant to this appeal: Gordon Bremer, the former director of Paradyne’s technology department who managed its patent portfolio; Scott Horstemeyer, Paradyne’s outside patent prosecution counsel; and Patrick Murphy, Paradyne’s Chief Financial Officer.

In 2002, Paradyne decided that the expected value of the ’819 and ’858 patents did not justify paying their maintenance fees, and it therefore let the patents lapse. Horstemeyer and Bremer later testified that Paradyne incorrectly believed it could thereafter make belated payments of the maintenance fees to revive the patents if it so desired. The ’819 and ’858 patents lapsed in June and February 2002, respectively.

Following some third-party interest in acquiring the Paradyne patents, Bremer, Horstemeyer, and Murphy decided to petition the United States Patent and Trademark Office (“PTO”) to revive the ’819 and ’858 patents. In connection with that request, they represented that “the delay in payment of the maintenance fee of this patent was unintentional.” J.A. 141; *see* J.A. 150. Horstemeyer testified in these proceedings that he felt he could truthfully say that the failure to pay fees had been unintentional because of Paradyne’s misunderstanding about the conditions for revival. Horstemeyer explained, however, that he did not offer this explanation to the PTO at the time because he did not want to deviate from the PTO form. The PTO granted the revival petitions.

In September 2004, Paradyne contacted Rembrandt to propose a joint “patent assertion team” to “exploit[] the Paradyne patents”—including the ones that Paradyne had revived. Appellees’ Br. 8. In December 2004, Paradyne and Rembrandt executed a patent sale agreement that assigned six of the asserted patents (as well as several others not at issue here) to Rembrandt. The agreement also gave Rembrandt the right to access and copy relevant Paradyne documents. The companies amended their agreement in February 2005, adding the ’819 patent to the portfolio of patents assigned to Rembrandt. Rembrandt’s in-house counsel, John Meli, asked Paradyne in March 2005 to “save any material that relates to patents you sold to us or plan to sell to us, including product data that embodies the patented inventions.” J.A. 203.

2. Rembrandt and Zhone

Paradyne was acquired in September 2005 by Zhone Technologies (“Zhone”), an equipment manufacturer. Thereafter, Zhone cut much of Paradyne’s workforce and footprint.

Zhone also began to destroy Paradyne's documents, most of which were housed in a storage facility separate from Paradyne's offices. Zhone's general counsel, Paul Castor, testified that the purpose of the document destruction was to cut storage costs, that boxes of documents were destroyed based on their dates (and not their contents), and that Zhone staff had no time to review their contents before destroying them. Zhone discarded approximately 3,200 boxes of documents in total, 90% of them between September 2005 and April 2006. The destroyed documents related to conception and reduction to practice of the patents at issue; potentially invalidating sales and offers to sell; public uses of prior art products; royalty agreements and licensing; standardization of the relevant technology; and patent prosecution.

There is no direct evidence that anyone at Rembrandt was aware of the document destruction, but Meli—then Rembrandt's in-house counsel—repeatedly visited Paradyne's offices to review and copy documents around the time of the sale to Zhone. Meli and other Rembrandt witnesses later testified that Rembrandt did not send Paradyne or Zhone a formal document retention notice until at least 2007. Several Zhone employees could recall no such requests from Rembrandt before 2008.

On February 14, 2006, Rembrandt signed a consulting agreement with Attic IP ("Attic"), a consulting firm that Bremer, Murphy, and Horstemeyer had formed. The consultants agreed to provide Rembrandt "[a]ssistance with patent portfolio analysis and ongoing patent assertion programs." J.A. 240. In exchange, Rembrandt would pay Attic an annual flat fee, in addition to a small percentage of licensing or litigation royalties if Rembrandt subsequently acquired any patents from Zhone. The agreement would not take effect until such an acquisition occurred.

Weeks after Bremer signed this agreement—but before Rembrandt had acquired any patents from Zhone, so that Bremer still had no stake in licensing or litigation royalties—Zhone’s general counsel, Castor, asked Bremer to review 30 boxes of documents. Bremer wrote back to Castor that the documents “generally contain[ed] sales/marketing strategies, plans, reports, etc.,” not “‘legal’ documents.” J.A. 256. Bremer asked whether Castor wanted him to provide other details and whether the boxes should “remain in storage or be destroyed.” *Id.* Castor simply wrote back “destroy.” *Id.* Bremer did not object.

A few months later, on June 9, 2006, Rembrandt entered into a patent sale agreement with Zhone, acquiring more than 100 patents, including two of the patents in suit (the ’444 and ’903 patents). Like the sale agreement with Paradyne, the agreement provided that Zhone would give Rembrandt access to documents relating to the assigned patents.

On June 12, 2006, Rembrandt learned that Zhone was planning to discard warehoused documents, including those relevant to the patents Rembrandt had purchased from Paradyne. Rembrandt urged Zhone not to destroy documents relevant to the patents it had purchased and began to work out an arrangement to preserve them. Castor told Rembrandt that it was “welcome to have” files relating to the purchased patents but that, if Rembrandt was not interested in them, Zhone would “likely destroy [them] in accordance with [its] records policy.” Appellants’ Br. 40. Rembrandt told Zhone to send Rembrandt the relevant files.

In August 2006, Rembrandt arranged for the Attic consultants to take custody of the Zhone documents (termed the “Documents of Common Interest”), including patent disclosure and prosecution files, patent mainte-

nance files, inventor files, license agreement and acquisition files, technical files, and patent marketing files.

B. The Present Litigation

This brings us to the present litigation. In September 2005, Rembrandt sued Comcast in the Eastern District of Texas, asserting infringement of six patents it had acquired from Paradyne. *Rembrandt Techs., LP v. Comcast Corp.*, No. 2:05-CV-00443-TJW (E.D. Tex.). Rembrandt then sued several other cable providers in the same district in June 2006. *Rembrandt Techs., LP v. Time Warner Cable, Inc.*, Nos. 2:06-cv-224 (TJW-CE), 2:06-cv-369 (TJW-CE) (E.D. Tex.); *Rembrandt Techs., LP v. Charter Commc'ns, Inc.*, Nos. 2:06-cv-223 (TJW-CE), 2:06-cv-507 (TJW-CE) (E.D. Tex.).

After Rembrandt acquired more patents from Zhone, it filed a second wave of litigation in November 2006. Rembrandt added five patents, including two from Zhone, to its pending suits. At that time, the Attic consultants—Bremer, Murphy, and Horstemeyer—gained a stake in the outcome of Rembrandt's litigation. Rembrandt additionally asserted four of those patents against Adelphia Communications Corp. ("Adelphia") in Adelphia's ongoing bankruptcy proceedings before the Bankruptcy Court for the Southern District of New York. *Rembrandt Techs., LP v. Adelphia Commc'ns Corp.*, Bky. Adv. No. 1:06-1739-reg (Bankr. S.D.N.Y.). Rembrandt also sued several broadcast networks in the District of Delaware. *E.g.*, *Rembrandt Techs., LP v. CBS Corp.*, No. 1:06-cv-00727-GMS (D. Del.).

The Judicial Panel on Multidistrict Litigation consolidated all of Rembrandt's pending suits before Judge Sleet in the District of Delaware. *In re Rembrandt Techs., LP, Patent Litig.*, 493 F. Supp. 2d 1367 (J.P.M.L. 2007). Soon thereafter, several cable modem equipment manufacturers—most of which are among the Appellees here—filed suit against Rembrandt in the District of Delaware seek-

ing a declaratory judgment that their products did not infringe any valid patents. *Motorola, Inc. v. Rembrandt Techs., LP*, No. 1:07-cv-00752-GMS (D. Del.). The declaratory judgment action was consolidated into the multi-district litigation as well.

1. Litigation on the Merits

After a *Markman* hearing in August 2008, the district court issued claim construction orders on the nine patents, all of which were adverse to Rembrandt. See *In re Rembrandt Techs., LP Patent Litig.*, No. 1:07-md-01848-GMS, 2008 WL 5773604 (D. Del. Nov. 19, 2008); *In re Rembrandt Techs., LP Patent Litig.*, No. 1:07-md-01848-GMS, 2008 WL 5773627 (D. Del. Nov. 7, 2008). On January 6, 2009, Rembrandt advised the parties that, in light of the claim construction order, it would not pursue its infringement claims on three of the patents in suit—the '631, '819, and '858 patents—unless the district court's claim construction was reversed on appeal. And, after further discovery, Rembrandt offered to drop the '903 and '234 patents from the litigation in March and May 2009, respectively.

On July 31, 2009, after the parties executed a mutual covenant not to sue, Rembrandt moved to dismiss its claims on eight of the patents, and the defendants moved to dismiss their associated invalidity counterclaims. The district court granted the motion and dismissed the claims and counterclaims. On the remaining '627 patent, Rembrandt stipulated to summary judgment of noninfringement subject to its appeal of the district court's claim construction decisions. The district court granted the motion on July 8, 2011. We affirmed the district court's claim construction in 2012. *In re Rembrandt Techs., LP*, 496 F. App'x 36 (Fed. Cir. 2012).

Until Rembrandt dismissed its claims, the parties engaged in considerable fact discovery. Appellees produced more than 15 million pages of documents, Rembrandt

took 75 depositions, and Appellees took 35 depositions of their own. Rembrandt also provided eight reports from five experts, and Appellees responded with eleven reports from seven experts. Rembrandt incurred \$20 million in fees from 2006 to 2008 alone.

Appellees also subpoenaed documents from Paradyne and Zhone. Although Rembrandt's attorneys responded to these subpoenas, Rembrandt never searched the warehouse where it claimed Paradyne's boxes were stored, nor acknowledged any document destruction until after April 2008. Rembrandt instead claimed that it could not ascertain information relevant to the on-sale bar, and it denied on several occasions that it had access to or control over Paradyne product documentation. Rembrandt also asserted in interrogatory responses and in its opposition to summary judgment that there was no evidence of prior sales, without mentioning that relevant documents potentially reflecting such sales might have been destroyed.

2. Fee Motions

Through discovery, Appellees ultimately learned about the abandonment and revival of the '819 and '858 patents, the three Attic consultants' contingent interests in the litigation, and Zhone's destruction of documents. On July 8, 2009—after Rembrandt had dropped its infringement case as to five of the patents, but before the covenant not to sue had been finalized—the district court granted Appellees permission to file a motion for sanctions as a motion in limine. Two weeks later, the parties entered into the covenant not to sue on all patents other than the '627 patent.

On November 16, 2009, Appellees moved for a determination that the case was exceptional under 35 U.S.C. § 285 and for an award of attorney fees. The parties adverse to Rembrandt—which the parties defined as “All Other Parties,” or “AOPs”—argued that the case was exceptional because Rembrandt (1) asserted two patents

that Paradyne had revived improperly; (2) allowed Zhong to spoliage evidence; (3) improperly gave the Attic consultants an interest contingent on the litigation outcome; and (4) threatened AOPs with a baseless injunction demand. Adelphia additionally argued in a separate motion that Rembrandt (1) had failed to comply with the marking requirement of 35 U.S.C. § 287, (2) possessed evidence that the on-sale bar invalidated two of the asserted patents, and (3) engaged in bad-faith conduct before the Bankruptcy Court for the Southern District of New York.¹

On July 13, 2011, the district court struck the fee motions as premature in light of the still-live dispute with regard to the '627 patent. But, after we affirmed the district court's ruling on the '627 patent in 2012, the district court ordered that the fees motions would be deemed re-filed as of September 7, 2011. More than a year later, the court returned the sealed record to the parties without ruling on the motion.

Soon after the Supreme Court decided *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014), AOPs submitted a notice of supplemental authority to the district court citing that case. Rembrandt responded by arguing that AOPs had abandoned their motion because the case had been closed for two-and-a-half years and because the pertinent briefs and support-

¹ Rembrandt now claims that Adelphia was not one of the AOPs. Appellants' Br. 15 n.6. But, as the district court later noted, the parties submitted a joint status report early in the litigation defining the term AOPs to include "all parties adverse to Rembrandt, whether they are defendants or declaratory relief claimants." *In re Rembrandt Techs., LP Patent Litig.*, No. 1:07-md-01848, at 1 n.1 (D. Del. Dec. 6, 2012), ECF No. 937. That definition encompasses Adelphia.

ing documentation had been returned to AOP's counsel, who had accepted them without objection. Rembrandt also contended that a ruling on the motions would cause great prejudice to Rembrandt because the briefings and supporting documents were stale. Rembrandt further argued that the case was not exceptional under the *Octane Fitness* standard.

On August 20, 2015, the district court issued a four-page order ruling on the motions, which by then had been pending for nearly four years. *Exceptional Case Order*, at 1–4. The district court attributed the delay in issuing the order to its “own administrative carelessness.” *Id.* at 2 n.3.

The court determined that the case was “indeed exceptional” for three reasons. *Id.* at 3 n.4. First, the court found that “the evidence shows that Rembrandt improperly compensated its fact witnesses, in violation of ethical rules of conduct.” *Id.* (citing Model Rules of Prof'l Conduct R. 3.4(b) and cmt. 3 (Am. Bar Ass'n 2015)). Second, the court was “convinced that Rembrandt engaged in (or failed to prevent) widespread document spoliation over a number of years.” *Id.* The court acknowledged Rembrandt's argument that “it did not directly destroy any documents and that it lacked control over those who did actually commit the spoliation,” but the court nonetheless was “persuaded by a preponderance of the evidence that Rembrandt did have control and did anticipate forthcoming litigation such that it had a duty to preserve or instruct others to retain certain documents.” *Id.* The court concluded that “AOPs' inability to conduct full discovery was prejudicial.” *Id.* Finally, the court found that “Rembrandt should have known that the ‘revived patents’ were unenforceable.” *Id.*

Based on these findings, the court determined “that the evidence amply supports a finding that this case is exceptional.” *Id.* The court dismissed what it called

Rembrandt’s “attempt[] to wipe its hands of all wrongdoing, pointing the finger at third parties,” because “Rembrandt must take responsibility for its own massive litigation.” *Id.* The court concluded that, although things might have been different “[i]f it had only been a single issue, . . . the ‘totality of the circumstances’—the wrongful inducements, the spoliation, and the assertion of fraudulently revived patents—supports AOPs’ characterization of this case as ‘exceptional.’” *Id.* (quoting *Octane Fitness*, 134 S. Ct. at 1756). The court thereafter denied Rembrandt’s motion for reargument. *In re Rembrandt Techs., LP Patent Litig.*, No. 1:07-md-01848 (D. Del. Aug. 2, 2016), ECF No. 1011 (“*Reargument Order*”).

In view of its exceptional case finding, the court ordered AOPs to submit documentation regarding their attorney fees, which they promptly did.

3. Fee Awards

On August 24, 2016, the district court granted AOPs’ requested fees in part. *First Fees Order*, at 1. The court found that AOPs had “provided extensive documentation to enable an evaluation of reasonableness” of their requested fees and that the submitted hourly rates, based in part on the American Intellectual Property Law Association’s economic survey, were reasonable because the case was “complex multi-district litigation.” *Id.* at 1 n.2. The court also found that “[t]his was a challenging case calling for substantial time and expertise.” *Id.* Although the court did not analyze separately whether the hours expended were reasonable, it found that the lodestar amount was reasonable. *Id.*

The court excluded, however, several categories of fees, including expert fees, fees related to Adelphia’s bankruptcy, fees for time spent on secretarial or clerical work, and prejudgment interest. *Id.* at 2. The court ordered AOPs “to calculate costs and fees and submit an

updated total of expenses incurred for approval within 14 days.” *Id.* at 3.

On March 2, 2017, after considering AOPs’ revised proposed order regarding expenses and Rembrandt’s objections to that total, the district court issued an order awarding fees. *Second Fees Order*, at 1. Although “Rembrandt did not have leave to file” any objections, the court addressed and rejected each relevant objection “out of an abundance of caution to Rembrandt’s substantive rights.” *Id.* at 1 n.1. As relevant here, the court permitted fees related to the ’627 patent, noting that AOPs’ opening brief “provided detailed calculations of attorneys’ fees and costs in connection with the ’627 patent.” *Id.* at 2 n.1. The court also awarded “fees and costs related to the Adelphia Bankruptcy,” because the court’s denial of fees related to the bankruptcy did “not preclude an award of fees incurred defending the causes of action that Rembrandt brought in the bankruptcy court that were ultimately consolidated in [this] multi-district litigation.” *Id.* The court therefore found “that it [was] reasonable to award Adelphia expenses relating to the Rembrandt litigation while it was pending in the Bankruptcy Court for the Southern District of New York.” *Id.*

The district court ultimately ordered Rembrandt to pay more than \$51 million in fees to all Appellees, including Adelphia. *Id.* at 2–3. Rembrandt appealed. We have jurisdiction under 28 U.S.C. §§ 1295(a)(1) and 1338(a).

II. DISCUSSION

A. The Exceptional-Case Determination

The district court determined that this was an exceptional case. Specifically, the court found that Rembrandt: (1) wrongfully gave fact witnesses payments contingent on the outcome of the litigation; (2) engaged in, or failed to prevent, widespread document spoliation by Zhong; and (3) should have known that the revived patents were

unenforceable. Rembrandt argues that all three of the district court's misconduct findings were erroneous; that the district court did not follow the proper procedures in making these findings; and that the claimed misconduct, taken together, does not render the entire multi-district litigation exceptional.

We review an exceptional case determination for abuse of discretion. *Lumen View Tech. LLC v. Findthebest.com, Inc.*, 811 F.3d 479, 482 (Fed. Cir. 2016) (citing *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1749 (2014)). "To meet the abuse-of-discretion standard, the moving party must show that the district court has made 'a clear error of judgment in weighing relevant factors or in basing its decision on an error of law or on clearly erroneous factual findings.'" *Bayer CropScience AG v. Dow AgroSciences LLC*, 851 F.3d 1302, 1306 (Fed. Cir. 2017) (quoting *Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1377 (Fed. Cir. 1998)).

Rembrandt raises strong arguments with respect to the district court's factual findings. The district court's remarkably terse orders shed little light on its justifications for its decisions on these fact-intensive issues. But abuse of discretion is a deferential standard. On the record before us, we cannot say that any of the district court's findings was based "on an erroneous view of the law or on a clearly erroneous assessment of the evidence." *Highmark*, 134 S. Ct. at 1748 n.2 (quoting *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 405 (1990)). And, as explained below, the district court did not abuse its discretion, procedurally or substantively, in determining that this pattern of misconduct rendered the case "exceptional" within the meaning of § 285.

1. The District Court's Finding that the Witness Payments Were Improper Is Not Clearly Erroneous

Rembrandt first disputes the district court's decision that "the fee structure for Rembrandt's fact witnesses was unreasonable and improperly linked to the outcome of the case, giving rise to a considerable risk of tainted testimony." *Exceptional Case Order*, at 3 n.4. Rembrandt contends that it never expected the Attic consultants to become fact witnesses, that the agreement did not prejudice Appellees, and that the agreements were permissible under our precedent.

After filing suit based on the Paradyne patents, Rembrandt hired three former Paradyne employees in February 2006 to provide "[a]ssistance with . . . *ongoing* patent assertion programs." J.A. 240 (emphasis added). Although the agreement did not immediately give the consultants an interest in the outcome of the ongoing litigation, it clearly contemplated future "assertion programs." It expressly granted the consultants a stake in any litigation involving the Zhone patents, once acquired. Rembrandt bought patents from Zhone in June 2006 and asserted them later that year. The district court reasonably could have found that, when Rembrandt signed the consulting agreement, it was likely that the consultants would play a role in litigation.

It also was foreseeable, at the very least, that the consultants would become fact witnesses in that litigation, given their roles within Paradyne. Meli—Rembrandt's former in-house counsel—acknowledged as much in his deposition. Whether Rembrandt identified the consultants as witnesses is beside the point. As Appellees correctly point out, all three witnesses *did* in fact testify about their knowledge of facts relevant to the merits of the lawsuit. Bremer testified about his involvement in patenting and licensing, the decision to abandon patents (which was related to Appellees' inequitable conduct

defense), the development process that led to the patented technology, and potentially invalidating sales of products that may have practiced the asserted patents. And Horstemeyer testified that he prosecuted most of the asserted patents, that he participated in the patent review board at Paradyne that decided whether to proceed with patent applications, and that he helped decide whether to abandon patents. Murphy was not involved as directly, but he was Paradyne's CFO during the relevant period and also participated in the patent review board.

It is true, as Rembrandt notes, that the district court never found that any witnesses gave false testimony. But the issue that the district court correctly identified was not that witnesses lied, but that the contingent fee arrangement gave them incentives to lie. For exactly this reason, the Delaware State Bar Association has advised lawyers not to pay, offer to pay, or acquiesce in payments to witnesses contingent on the outcome of the case. Del. State Bar Ass'n Comm. on Prof'l Ethics, Opinion 1994-1 at 2–3, *available at* <http://media.dsba.org/ethics/pdfs/1994-1.pdf>.

Rembrandt may be right that Bremer had simply forgotten key details about sales associated with a twenty-year-old project. But his contingent interest in the litigation outcome gave him a strong incentive not to remember those sales, and it renders Appellees' claim of tainted testimony at least plausible. And, though Bremer had a similarly innocent explanation for his tacit approval of Castor's decision to destroy sales documents, Bremer's potential stake in the case may well have led the district court to see his acquiescence in a different light. It was reasonable for the district court to find "that the fee structure for Rembrandt's fact witnesses was unreasonable and improperly linked to the outcome of the case, giving rise to a considerable risk of tainted testimony." *Exceptional Case Order*, at 3 n.4.

Rembrandt contends that the district court's decision conflicts with our holding in *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456 (Fed. Cir. 1998). In that case, the patent infringement defendant, U.S. Surgical Corp., obtained a retroactive license for the asserted patent from a third party, Young Jae Choi, who claimed to be an omitted co-inventor. *Id.* at 1459. The license agreement explicitly required Choi to testify in the lawsuit in exchange for a fixed initial payment and an additional payment if U.S. Surgical prevailed in the suit. *Id.* at 1459, 1465. We found that the district court did not abuse its discretion by admitting Choi's testimony, "subject to cross-examination that might expose Choi's bias." *Id.* at 1465.

In several respects, the agreement in *Ethicon* raises more ethical concerns than the one here. The testimony that U.S. Surgical secured from Choi was known to be case-dispositive, but when Rembrandt hired the Attic consultants, all Rembrandt could have known is that their testimony would likely be relevant to certain defenses. And the *Ethicon* agreement conditioned the bulk of the payment on U.S. Surgical's prevailing in the litigation, which provided a much stronger incentive to the inventor than a percentage of any licensing or litigation proceeds.

But, as Appellees note, the agreement in *Ethicon* involved the *assignment* of patent rights. In allowing the assignor to testify, we noted that "[a] patent license agreement that binds the inventor to participate in subsequent litigation is very common," because it "simply assures the licensee that it will be able to defend the property in which it has purchased an interest." *Id.* Rembrandt also cites several district court decisions permitting contingent payment arrangements, but each of those opinions relies on the fact that the payments were "made in connection with an assignment or license of patent rights." *ESN, LLC v. Cisco Sys., Inc.*, 685 F. Supp.

2d 631, 646 (E.D. Tex. 2009); see *Rembrandt Gaming Techs., LP v. Boyd Gaming Corp.*, No. 2:12-cv-00775-MMD-GWF, slip op. at 3 (D. Nev. Mar. 31, 2017) (observing that “the Agreement involves assignment of the Patent, not an agreement to pay fact witnesses to testify, and the witnesses identified included the inventor”). Rembrandt identifies no comparable agreements to the one here, however, where the contingent interest was given to likely witnesses *only* for their help with a licensing or litigation campaign.

In short, *Ethicon* did not upend the longstanding ethical rule in Delaware and other jurisdictions that fact witnesses to a lawsuit should not be paid contingent on the outcome of the suit. It is instead best read as an exception to that rule that applies only when the contingent payment accompanies the assignment or license of patent rights. As we said in *Ethicon*, it makes sense for a licensee or assignee to give the licensor or assignor an incentive “to defend the property in which [the former] has purchased an interest.” 135 F.3d at 1465. And these contingent interests make sense for sellers as well—they ensure that, if the patented technology unexpectedly gains value, the licensor or assignor can reap some portion of the windfall. The agreement between Rembrandt and Attic, on the other hand, was fundamentally different from the sale of a right in a patent, and it does not implicate these policy rationales. The district court’s decision does not call these “very common” agreements into question, *id.*, as Rembrandt suggests, and its finding that the witness payments were improper is not clearly erroneous.

2. The District Court’s Document Spoliation Finding Is Not Clearly Erroneous

Rembrandt also disputes the district court’s conclusion “that Rembrandt engaged in (or failed to prevent) widespread document spoliation, over a number of years.” *Exceptional Case Order*, at 3 n.4. This court reviews the

district court's spoliation decision under the law of the regional circuit. *Hynix Semiconductor Inc. v. Rambus Inc.*, 645 F.3d 1336, 1345 (Fed. Cir. 2011). In the Third Circuit, "[s]poliation occurs where: the evidence was in the party's control; the evidence is relevant to the claims or defenses in the case; there has been actual suppression or withholding of evidence; and, the duty to preserve the evidence was reasonably foreseeable to the party." *Bull v. United Parcel Serv., Inc.*, 665 F.3d 68, 73 (3d Cir. 2012) (citing *Brewer v. Quaker State Oil Ref. Corp.*, 72 F.3d 326, 334 (3d Cir. 1995)).

Rembrandt does not dispute that Zhong destroyed thousands of boxes of documents starting in January 2006. Rembrandt also does not dispute that, by that time, litigation already had begun or was reasonably foreseeable, meaning that Rembrandt had a duty to preserve relevant evidence. *Id.*; see *Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311, 1320 (Fed. Cir. 2011) ("The duty to preserve evidence begins when litigation is 'pending or reasonably foreseeable.'" (quoting *Silvestri v. Gen. Motors Corp.*, 271 F.3d 583, 590 (4th Cir. 2001))). And Rembrandt does not meaningfully dispute that, even if most of these documents had no bearing on the case, at least some of the destroyed documents were relevant. Rembrandt argues only that it had no control over the documents destroyed and that the district court committed clear error in finding that "spoliation occurred, under facts that support bad faith" on the part of Rembrandt. *Reargument Order*, at 2 n.1.

"[A] district court may award fees in the rare case in which a party's unreasonable conduct—while not necessarily independently sanctionable—is nonetheless so 'exceptional' as to justify an award of fees." *Octane Fitness*, 134 S. Ct. at 1756–57. "Even if [Rembrandt's] litigation conduct was not quite sanctionable," therefore, the district court could "reasonably determine[] that the case was exceptional." *Lumen View*, 811 F.3d at 483. But

the district court specifically found, as part of its exceptional-case determination, that Rembrandt spoliated evidence. The relevant question, therefore, can be framed as whether the district court based that conclusion on “clearly erroneous factual findings.” *Bayer CropScience*, 851 F.3d at 1306 (quoting *Mentor Graphics*, 150 F.3d at 1377).

The first aspect of that inquiry is whether “the evidence was in [Rembrandt’s] control.” *Bull*, 665 F.3d at 73. Rembrandt points out that Paradyne and then Zhone always maintained physical possession of the documents while they were being destroyed. In signing the patent sale agreements, however, Paradyne and Zhone legally obligated themselves to give Rembrandt access to all documents related to the assigned patents. Rembrandt did not just obtain this right; it exercised the right by asking Bremer to collect the Documents of Common Interest.² As noted above, Rembrandt attorneys issued discovery responses and made all document productions on behalf of Paradyne and Zhone until September 2008. The district court reasonably could infer that Rembrandt, not Paradyne or Zhone, actually had control over the documents that Zhone destroyed.

Next, under Third Circuit law, “a finding of bad faith is pivotal to a spoliation determination.” *Bull*, 665 F.3d at 79. Spoliation cannot occur, moreover, “where the destruction was a matter of routine with no fraudulent intent.” *Brewer*, 72 F.3d at 334 (quoting 29 Am. Jur. 2d Evidence § 177). Rembrandt emphasizes that Zhone only destroyed the documents to clear warehouse space and

² Appellees’ assertion that these documents comprised only those that were helpful to Rembrandt, Appellees’ Br. 50–51, finds no support in the record. Bremer’s offer to collect these documents on Rembrandt’s behalf does help establish Rembrandt’s control, however.

did not even look at their contents. Indeed, nothing in the record suggests that Zhone acted with fraudulent intent.

But the issue is not Zhone's bad faith; it is Rembrandt's. Rembrandt instructed Paradyne in March 2005 to preserve material related to the patents sold and asked Zhone for access to or copies of all relevant materials in January 2006. Rembrandt also obtained boilerplate contractual assurances from Paradyne that Paradyne would provide "all material information within its possession . . . regarding the assigned patents." J.A. 155, § 3.1.3; Appellants' Br. 61. And only in June 2006, after Zhone had destroyed the bulk of the Paradyne documents, did Bremer tell Rembrandt about the document destruction.

Two facts in the record suggest, however, that Rembrandt knew that document destruction was a significant risk. First, Meli visited the former Paradyne facility in Florida shortly after the Zhone acquisition, and he reported that "every cubicle is gone, there's nobody in it, [and] papers are strewn all over the place." J.A. 2419–20, 72:14–73:11; Appellees' Br. 11. He testified that he "really [did] believe it was shut down" and "being dismantled." J.A. 2419, 72:22–25; J.A. 2422, 75:11–22; Appellees' Br. 10, 14, 50. By that time, litigation already was ongoing, and Meli should have known that some of the documents "strewn all over the place" might be relevant to that litigation. And second, Bremer—who by then was on the Rembrandt payroll—participated in the document destruction well before June 2006. He reviewed dozens of boxes for potential disposal in March 2006, some of which were sales documents, and he allowed Zhone to order them to be destroyed. Bremer was not a lawyer, but he had run a patent program for 30 years and later admitted that he knew that sales documents could be relevant to the on-sale bar. He testified that he did not preserve the documents simply because he had not been instructed to

do so. Bremer also admitted that he never asked for other warehoused documents to be preserved.

Even after it knew about the risk of document destruction, Rembrandt did not issue a formal document retention notice until May 2008. Rembrandt points to its January 2006 letter, in which it sought “access to, and copies of, all documents that may be related to the patents in suit,” including but not limited to “any documents relating to the products that embody any invention claimed in the patents in suit (both technical and financial documents).” J.A. 229–30. That request did imply that Zhone should hand over those documents instead of destroying them. But subsequent testimony from Rembrandt’s own in-house attorneys suggests that even they did not consider the 2006 letter a document-retention notice. Given the significant risk of document destruction, Rembrandt could have at least issued a litigation hold.³

³ Appellees cite several out-of-circuit district court cases for the proposition that “[a] litigation hold is not, alone, sufficient; instead compliance must be monitored.” *Bagley v. Yale Univ.*, 318 F.R.D. 234, 239 (D. Conn. 2016) (quoting *Mastr Adjustable Rate Mortgs. Tr. 2006-OA2 v. UBS Real Estate Sec. Inc.*, 295 F.R.D. 77, 85 (S.D.N.Y. 2013)); see *Apple Inc. v. Samsung Elecs. Co.*, 881 F. Supp. 2d 1132, 1147 (N.D. Cal. 2012) (finding that “Samsung had a duty to verify whether its employees were actually complying with the detailed instructions Samsung claims it communicated to them”). Appellees do not elaborate on how well these cases represent Third Circuit law. The *Apple* decision, in fact, explicitly mentions that “bad faith is not the required mental state for the relief Apple seeks,” 881 F. Supp. 2d at 1147, indicating that the Ninth Circuit employs a lower standard for spoliation.

Rembrandt relies heavily on *St. Clair Intellectual Property Consultants, Inc. v. Toshiba Corp.*, No. CV 09-354-LPS, 2014 WL 4253259 (D. Del. Aug. 27, 2014), to support its assertion that its conduct did not rise to the level of bad faith. In *St. Clair*, the district court found no bad faith where thousands of pounds of documents were destroyed by the former owners of patents that the plaintiff was asserting. *Id.* at *4. With respect to some documents, the *St. Clair* court found that the defendant had “not shown *any* intent to suppress evidence; to the contrary, the record suggests that a benign explanation is more plausible.” *Id.* And for others, the court was “not persuaded that [the plaintiff’s and a former patent owner’s] destruction of the boxes of information was due to anything worse than ‘inadvertence, negligence, inexplicable foolishness, or part of the normal activities of business or daily living.’” *Id.* at *5 (quoting *Bozic v. City of Wash.*, 912 F. Supp. 2d 257, 270 (W.D. Pa. 2012)). The court observed that the plaintiff’s attorneys were “unaware of the destruction of evidence,” and that the plaintiff “believed all the contents of the boxes had been copied.” *Id.*

The facts here are different than those at issue in *St. Clair*. The plaintiff in *St. Clair* was unaware of the document destruction and believed all relevant information had been copied. Here, as discussed above, Rembrandt had reason to believe that document destruction was possible, and it certainly knew that relevant information remained in the possession of Zhone. The district court reasonably could have found Rembrandt’s claim of ignorance to be implausible.

Given all of the above, the district court reasonably could find “that Rembrandt did have control and did anticipate forthcoming litigation such that it had a duty to preserve or instruct others to retain certain documents.” *Exceptional Case Order*, at 3 n.4. As the district court explained later, there was “sufficient evidence to support bad faith spoliation in the existing record.”

Reargument Order, at 2 n.1. Although some of Appellees' more conspiratorial allegations go too far, the district court had a reasonable basis to conclude that Rembrandt stood idly by while Zhong destroyed documents. And, some of those documents were not just relevant, but directly helpful to Appellees' invalidity defenses. The district court correctly noted, and Rembrandt does not dispute, that "AOPs' inability to conduct full discovery of relevant documents was prejudicial." *Exceptional Case Order*, at 3 n.4. On balance, we conclude that the district court's finding of spoliation was not clearly erroneous.

3. The District Court's Inequitable Conduct Finding Is Not Erroneous

Rembrandt next challenges the district court's finding that "Rembrandt should have known that the 'revived patents' were unenforceable." *Exceptional Case Order*, at 3 n.4. Rembrandt argues that the district court erred both in finding that the patents were unenforceable due to inequitable conduct and that the inequitable conduct was chargeable to Rembrandt.

"Inequitable conduct is an equitable defense to patent infringement that, if proved, bars enforcement of a patent." *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1285 (Fed. Cir. 2011) (en banc). "To prevail on the defense of inequitable conduct, the accused infringer must prove that the applicant misrepresented or omitted material information with the specific intent to deceive the PTO." *Id.* at 1287. "[P]revailing on a claim of inequitable conduct often makes a case 'exceptional'" under § 285. *Id.* at 1289 (citing *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1380 (Fed. Cir. 2001)).

A threshold question here is the evidentiary standard that governs inequitable conduct determinations in the § 285 context. When a party raises inequitable conduct as a defense to patent infringement, "[t]he accused infringer must prove both elements—intent and materiality—by

clear and convincing evidence.” *Id.* at 1287 (citing *Star Sci., Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008)). But the Supreme Court held in *Octane Fitness* that patent litigants need only establish their entitlement to fees under § 285 by a preponderance of the evidence. 134 S. Ct. at 1758. Appellees therefore suggest that the clear and convincing standard should not apply here. Appellees’ Br. 63–64.

The district court did not specify which evidentiary standard it applied. Other district courts that have considered the question have reached different conclusions. See *Evonik Degussa GmbH v. Materia, Inc.*, 305 F. Supp. 3d 563, 569–71 (D. Del. 2018) (collecting cases and noting disagreement before concluding that the clear and convincing evidence standard applied). We need not resolve that thorny issue, however, because the district court did not abuse its discretion under either evidentiary standard.

The first question is whether Paradyne’s statement that the delay in payment was “unintentional” was material to patentability. We have noted our reluctance to avoid impinging on the PTO’s discretion by opining “[o]n matters unrelated to the substantive criteria of patentability.” *Network Signatures, Inc. v. State Farm Mut. Auto. Ins. Co.*, 731 F.3d 1239, 1243 (Fed. Cir. 2013). But where the PTO’s procedural rules are unambiguous, deciding what it would have done in a particular circumstance does not require us to second-guess the agency.

The PTO has issued clear guidance on the precise issue we face here: whether a patent may be revived if the holder failed to pay maintenance fees in the belief that the invention had no commercial value. The governing regulation provides that “[t]he Director may accept the payment of any maintenance fee due on a patent after expiration of the patent if, upon petition, the delay in payment of the maintenance fee is shown to the satisfac-

tion of the Director to have been unintentional.” 37 C.F.R. § 1.378(a) (2013). In the Federal Register notice that the PTO published when it introduced this language, the PTO explained what it meant by “unintentional”:

Where the applicant deliberately permits an application to become abandoned (e.g., due to a conclusion that the claims are unpatentable, that a rejection in an Office action cannot be overcome, or that the invention lacks sufficient commercial value to justify continued prosecution), the abandonment of such application is considered to be a deliberately chosen course of action, and the resulting delay cannot be considered as “unintentional” within the meaning of § 1.137(b). . . . An intentional delay resulting from a deliberate course of action chosen by the applicant is not affected by: (1) The correctness of the applicant’s (or applicant’s representative’s) decision to abandon the application or not to seek or persist in seeking revival of the application; (2) the correctness or propriety of a rejection, or other objection, requirement, or decision by the Office; or (3) the discovery of new information or evidence, or other change in circumstances subsequent to the abandonment or decision not to seek or persist in seeking revival.

Changes to Patent Practice and Procedure, 62 Fed. Reg. 53,132, 53,158–59 (Oct. 10, 1997) (to be codified at 37 C.F.R. pt. 1) (emphases added); *see* Manual of Patent Examining Procedure § 711.03(c)(3)(II)(C) (9th ed. 2015) (noting that an applicant’s decision to abandon an application for lack of “sufficient commercial value to justify continued prosecution” is “a deliberately chosen course of action, and the resulting delay cannot be considered as ‘unintentional’”). This definition of “unintentional” in relation to abandoned applications applies with equal

force to issued patents. *See In re Patent No. 5,181,974*, 2007 WL 4974450, at *3–4 (Comm’r Pat. Aug. 17, 2007).

It is clear, therefore, that the PTO would not have revived the patents if it had known that Paradyne consciously allowed them to expire. In other words, the statement was material to patentability—or at least continued enforceability.⁴ The district court’s finding to that effect is not clearly erroneous.

Paradyne’s alleged mistake of fact is no defense. It may be true that Paradyne’s employees genuinely believed that a patent could be revived for years even after the six-month grace period for payment. But their decision not to make the payment still was intentional.

The question of deceptive intent is more complex. Rembrandt cites our holding in *Therasense* that a finding of deceptive intent is inappropriate “when there are multiple reasonable inferences that may be drawn.” 649 F.3d at 1290–91. *Network Signatures* similarly explains that the patentee’s action cannot “constitute[] material misrepresentation with intent to deceive” unless “intent to deceive the PTO [is] the single most reasonable inference able to be drawn from the evidence.” 731 F.3d at

⁴ In setting forth its test for materiality, *Therasense* contemplated statements made to the PTO during initial prosecution of a patent. 649 F.3d at 1291–95. But statements critical to the “survival of the patent”—even though they do not, strictly speaking, bear on patentability—also can be material within the meaning of *Therasense*. *See Ulead Sys., Inc. v. Lex Comput. & Mgmt. Corp.*, 351 F.3d 1139, 1146 (Fed. Cir. 2003) (finding that a “false declaration of small entity status” in an effort to reduce the required maintenance fees satisfied the materiality prong of the inequitable conduct test).

1242 (quoting *In re Rosuvastatin Calcium Patent Litig.*, 703 F.3d 511, 519 (Fed. Cir. 2012)).⁵

Rembrandt’s explanation for Paradyne’s conduct makes some sense. In a memo from Bremer to Horstemeyer on November 24, 2003, Bremer acknowledged that the PTO would not allow the revival of a patent unless the failure to pay maintenance fees was “unavoidable” or “unintentional.” J.A. 138. Bremer told Horstemeyer that he felt that the abandonment was “unintentional” under the meaning of the PTO form because “we would NOT have abandoned [certain patents] if we understood that reviving was not possible.” *Id.* Bremer testified that it was Paradyne’s “understanding at the time of abandonment that a patent could be revived within 24 months of the USPTO official abandonment date.” J.A. 144. Horstemeyer also testified that he “thought [it] to be a true statement” that the delay in payment was unintentional. J.A. 1162, 195:13–20. He claimed that the failure to pay maintenance fees was due to “a misunderstanding about . . . when the deadline actually was,” and that he was “instructed not to make that payment” because of the misunderstanding. J.A. 1174, 207:3–13.

As Appellees point out, however, that explanation is difficult to square with Bremer’s acknowledgment in another document that “[f]ailure to pay [maintenance] fees results in loss of patent rights.” J.A. 3880. And Bremer testified that Horstemeyer was involved in the

⁵ We note that the high bar in these cases is rooted in the clear and convincing evidence standard. If Appellees need only prove inequitable conduct in this context by the preponderance of the evidence—which, again, we do not decide today—the standard upon which the district court could have premised its findings of fact would be less exacting.

patent review board meetings where Paradyne decided which patents to abandon. Horstemeyer knew, in other words, exactly why Paradyne decided to abandon the '819 and '858 patents—namely, because it believed that they were not worth the fee. Rembrandt's explanation is also difficult to square with documents indicating that it was Bremer's surprise that a third party might have interest in the abandoned patents that prompted their revival.

The district court could fairly conclude from this evidence that the claim of mistake was a post hoc rationalization. The district court also could have decided the same about Paradyne's explanation for why it told the PTO that the abandonment was "unintentional." In making these factual findings, the district court also considered the misconduct discussed above, in which Bremer and Horstemeyer also were involved. *See Exceptional Case Order*, at 3 n.4 ("[T]he fact witnesses—discussed above—were the very same Paradyne employees who engaged in the inequitable conduct."); *see also Reargument Order*, at 2 n.1 ("The court has been furnished with sufficient evidence to conclude that revival of the patents in this case fit into a pattern of misconduct, and therefore deception was the most reasonable inference."). Although the other misconduct occurred much later, the district court was entitled to weigh it when assessing the key players' trustworthiness and the likelihood that they had deceptive intent. For these reasons, the district court's finding of inequitable conduct by Paradyne was not erroneous.

Our decision in *Network Signatures* is not to the contrary. In *Network Signatures*, the Navy allowed a patent to expire, in accordance with standard policy, because there was no commercial interest in the invention. 731 F.3d at 1240–41. Two weeks after the final payment date, someone contacted the Navy to inquire about licensing the patent. *Id.* at 1241. The Navy immediately filed a petition for delayed payment using the PTO's standard

form, which contained a preprinted statement that the delay in payment of the maintenance fee was unintentional. *Id.* The PTO accepted the delayed payment and revived the patent. *Id.* In a subsequent lawsuit involving the patent, the defendant argued that this constituted inequitable conduct, and the district court granted summary judgment of inequitable conduct, even as it found that none of the Navy's statements in litigation were particularly egregious. *Id.* at 1241–42. We reversed the decision, holding that the Navy's "compliance with the standard PTO procedure for delayed payment, using the PTO form for delayed payment, does not provide clear and convincing evidence of withholding of material information with the intent to deceive the Director." *Id.* at 1243.

Here, however, the district court found that the same people who deceived the PTO were involved in a variety of other misconduct. In light of the latter findings, the district court reasonably could have decided that "intent to deceive the PTO [was] the single most reasonable inference able to be drawn from the evidence." *Network Signatures*, 731 F.3d at 1242 (quoting *Rosuvastatin*, 703 F.3d at 519). "[I]t is not the function of a court of appeals to override district court judgments on close issues, where credibility findings have been made." *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223, 1231–32 (Fed. Cir. 2007).

The only remaining question is whether the district court properly concluded that "Rembrandt had sufficient knowledge to learn of the fraud." *Exceptional Case Order*, at 3 n.4. That, too, is an issue of fact, for which the district court is owed deference. Although the district court did not elaborate on this finding, Appellees identify sufficient evidence to support it. Appellees cite, in particular, a spreadsheet that Bremer sent Meli in August 2006 about the patents in which the third party had expressed interest. The row in that spreadsheet about the '858 patent indicated that it had been abandoned. Although

Rembrandt dismisses the likelihood that it could have gleaned information about the improper revival from this spreadsheet, the spreadsheet was not large—it contained only 30 patents—and among them were patents that Rembrandt already had asserted in this case and to which Rembrandt would have paid close attention. The district court reasonably could have found that Rembrandt knew that the '858 patent had been abandoned and chose not to investigate how it had been revived.

Appellees also cite other documents that were available to Rembrandt in which Paradyne employees discussed their plan to revive the patents. Rembrandt had access to these documents under the patent sale agreement. Although the '819 patent was not listed in the spreadsheet, the fact that at least one patent had been revived in this way, in combination with the other documents accessible to Rembrandt, could give rise to the inference that Rembrandt knew about, or could have learned about, the improper revival of both the '819 and '858 patents.

Rembrandt argues that the district court's implicit application of the "should have known" standard imposes too high a burden on Rembrandt and conflicts with our guidance in *Therasense*. See 649 F.3d at 1290 ("A finding that the misrepresentation or omission amounts to gross negligence or negligence under a 'should have known' standard does not satisfy [the] intent requirement."). But Appellees are right that Rembrandt conflates the inequitable conduct and exceptional case inquiries. The first question—the one governed by *Therasense*—is whether *Paradyne* committed inequitable conduct. The second question—to which *Therasense* does not apply—is whether Paradyne's conduct renders *Rembrandt's* case exceptional. Rembrandt's reliance on *Therasense* in the latter context is misplaced.

4. The District Court Followed the Proper Procedures in Making Its Exceptional-Case Determination

It is undisputed that Rembrandt did not request an evidentiary hearing at any point before the district court made its exceptional-case determination. The district court sat on the motion for years, and it even returned the sealed exhibits to the parties, but it never resolved the motion. Five years after the motion was filed, and three years after the motion was re-filed after judgment was entered on the '627 patent, Appellees submitted supplemental authority citing *Octane Fitness*, and Rembrandt responded. Although Rembrandt argued that Appellees had abandoned the motion and that ruling on the stale record would be prejudicial, Rembrandt did not request an evidentiary hearing. Rembrandt was never entitled to assume that the motions would be denied or simply ignored. Indeed, Rembrandt apparently did not make such an assumption; its filings show that it contemplated at least the possibility of a ruling on the motions. Rembrandt waived its procedural objection to the lack of an evidentiary hearing.

The district court also was not required to afford Rembrandt an evidentiary hearing in this case. Rembrandt is right that “[t]he imposition of monetary sanctions by a court implicates fundamental notions of due process and thus requires ‘fair notice and an opportunity for a hearing on the record.’” *Rogal v. Am. Broad. Cos.*, 74 F.3d 40, 44 (3d Cir. 1996) (quoting *Roadway Express, Inc. v. Piper*, 447 U.S. 752, 767 (1980)). But, as the Third Circuit recognized in *Rogal*, the concept of an “opportunity to be heard at a meaningful time and in a meaningful manner . . . is flexible, calling for procedural protection as dictated by the particular circumstance.” *Id.* (quoting *Kahn v. United States*, 753 F.2d 1208, 1218 (3d Cir. 1985)). The *Rogal* court explained that a district court, “in the sound exercise of its discretion,” must determine whether the resolution of a sanction charge “requires

further proceedings, including the need for an evidentiary hearing.” *Id.* (quoting *Jones v. Pittsburgh Nat’l Corp.*, 899 F.2d 1350, 1359 (3d Cir. 1990)).

Although the *Rogal* court found the district court’s failure to hold an evidentiary hearing constituted an abuse of discretion in that case, it emphasized that its “holding [was] a narrow one and depend[ed] heavily on the specific nature” of the misconduct in question. *Id.* at 45. The Third Circuit remanded for the district court to hold the hearing, in particular, because the witness whose testimony the district court found sanctionable “did not have the same incentive at trial to try to clear up all of the apparent contradictions and inconsistencies in his testimony or to try to show his good faith as he would have had at an evidentiary hearing on the question of sanctions.” *Id.* That is not the case here. As Appellees point out, the relevant witnesses had an opportunity to explain their actions at their depositions, and they had every incentive to do so; in fact, all of them were on Rembrandt’s payroll by that time. The district court was not required to give them a second bite at the apple at an evidentiary hearing.

The lack of an evidentiary hearing also does not alter the standard we use to review the district court’s factual findings. We give deference to those findings “in view of the district court’s superior understanding of the litigation and the desirability of avoiding frequent appellate review of what essentially are factual matters.” *Hensley v. Eckerhart*, 461 U.S. 424, 437 (1983). The district court here certainly understood the litigation better than we can on appeal. Although it remains incumbent on “the district court to provide a concise but clear explanation of its reasons for the fee award,” *id.*, our role is to compare that explanation against the record on appeal, not to conduct a de novo analysis of the record.

And, finally, the district court did not need to consider each MDL case separately in making an exceptional-case determination, except to the extent it was required to establish a causal link for fees. “Cases consolidated for MDL pretrial proceedings ordinarily retain their separate identities,” *Gelboim v. Bank of Am. Corp.*, 135 S. Ct. 897, 904 (2015), but MDL courts “have wide discretion” to manage their dockets to avoid “potential burdens on defendants and the court,” *In re Asbestos Prods. Liab. Litig. (No. VI)*, 718 F.3d 236, 246–47 (3d Cir. 2013) (quoting *Acuna v. Brown & Root Inc.*, 200 F.3d 335, 340 (5th Cir. 2000)). The district court exercised that discretion in considering all of the cases together in making its exceptional-case determinations, and the district court implicitly found that *each* case was exceptional. Section 285 does not compel a different process.

5. The District Court Did Not Abuse Its Discretion in Determining that the Case Is Exceptional Under § 285

Octane Fitness gives district courts broad discretion in the exceptional-case determination. “[A]n ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated.” *Octane Fitness*, 134 S. Ct. at 1756. “District courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* Relevant considerations may include “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 1756 n.6 (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994)).

Under that generous standard, the district court’s determination was not an abuse of discretion. The district court found that Rembrandt’s conduct, and Paradyne’s

conduct that was attributable to Rembrandt, showed that Rembrandt litigated the case in an “unreasonable manner.” *Exceptional Case Order*, at 2 n.4 (quoting *Octane Fitness*, 134 S. Ct. at 1756). The court found, in particular, that “the ‘totality of the circumstances’—the wrongful inducements, the spoliation, and the assertion of fraudulently revived patents—supports AOPs’ characterization of this case as ‘exceptional’—it ‘stands out.’” *Id.* at 3 n.4 (quoting *Octane Fitness*, 134 S. Ct. at 1756). To overturn this finding, we must find that the district court made “a clear error of judgment in weighing relevant factors or in basing its decision on an error of law or on clearly erroneous factual findings.” *Bayer CropScience*, 851 F.3d at 1306 (quoting *Mentor Graphics*, 150 F.3d at 1377). Because we find no clear error in the district court’s factual findings or any error in the legal standard it employed, there is no basis for us to hold that the district court abused its discretion in determining that the case is exceptional.

B. The District Court’s Fee Award

Rembrandt also takes issue with the district court’s award of \$51 million in attorney fees. Rembrandt raises no specific objections to Appellees’ tabulations of the hours they expended; nor does Rembrandt contend that Appellees should have calculated fees using a lower hourly rate. Rembrandt instead argues that the fee award is excessive and unreasonable because the district court failed to establish a causal connection between the claimed misconduct and the fees awarded. We agree.

“The determination of reasonable attorney fees is also ‘a matter that is committed to the sound discretion’ of a district court judge.” *Lumen View*, 811 F.3d at 483 (quoting *Perdue v. Kenny A. ex rel. Winn*, 559 U.S. 542, 558 (2010)). “We therefore also review the calculation of an attorney fee award under § 285 for an abuse of discretion.” *Id.*

After determining that this case was exceptional, the district court asked Appellees to submit documentation detailing their fee requests and a proposed order awarding those fees. Appellees did so, accompanied by briefing on why Rembrandt's pervasive misconduct justified an award of all fees and costs incurred in the litigation. The proposed order also included, in footnotes, an award of the fees Appellees incurred in defending against Rembrandt's assertion of the '627 patent.

The district court granted almost all of those fee requests, excluding only expert fees, fees relating to Adelphia's bankruptcy, fees for secretarial and clerical work, and prejudgment interest. But the court did not explain why an award of almost all fees was warranted or whether it had accepted AOPs' argument about pervasive misconduct. *First Fees Order*, at 1–3. The district court's order said nothing about the '627 patent. It did, however, order AOPs to submit an updated fee request. *Id.* at 3. AOPs submitted that request and a new proposed order, explaining that the original proposed order “did not correctly tabulate the fee amounts requested in the declarations submitted” because it “omitted” fees from Cablevision, Cox, and Adelphia. J.A. 3268.

Over Rembrandt's objections, the district court granted Appellees' request. *Second Fees Order*, at 1–3. The district court accepted AOPs' explanation that the increased amount was the result of a tabulation error. *Id.* at 2 n.1. The district court found that AOPs had satisfied the procedural requirements for seeking fees related to the '627 patent, and it awarded those fees without further explanation. *Id.* And the district court “conclude[d] that it is reasonable to award Adelphia expenses relating to the Rembrandt litigation while it was pending in the Bankruptcy Court for the Southern District of New York.” *Id.* It then ordered Rembrandt to pay the full amount of fees and costs Appellees requested. *Id.* at 2–3.

Appellees do not dispute that attorney fees under § 285 are compensatory, not punitive. *Cent. Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1578 (Fed. Cir. 1983). In such a “statutory sanction regime[],” a “fee award may go no further than to redress the wronged party ‘for losses sustained’; it may not impose an additional amount as punishment for the sanctioned party’s misbehavior.” *Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178, 1186 & n.5 (2017) (quoting *Int’l Union, United Mine Workers of Am. v. Bagwell*, 512 U.S. 821, 829 (1994)). Deterrence “is not an appropriate consideration in determining the *amount* of a reasonable attorney fee.” *Lumen View*, 811 F.3d at 484–85. It follows, as we have held, that “the amount of the award must bear some relation to the extent of the misconduct.” *Rambus Inc. v. Infineon Techs. AG*, 318 F.3d 1081, 1106 (Fed. Cir. 2003). We have explained that “[a] finding of exceptionality based on litigation misconduct[] . . . usually does not support a full award of attorneys’ fees.” *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300, 1316 (Fed. Cir. 2012), *vacated on other grounds*, 134 S. Ct. 1744 (2014).

To be sure, an award of fees under § 285 is not governed by the same exacting standards as a sanction under the Federal Rules of Civil Procedure. Rule 37(b), for example, provides that a party failing to comply with a court order must “pay the reasonable expenses, including attorney’s fees, caused by the failure.” Fed. R. Civ. P. 37(b)(2)(c). Section 285, on the other hand, says only that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. As the Supreme Court recognized in *Goodyear*, an award of all of a party’s fees, “from either the start or some midpoint of a suit,” may be justified in some “exceptional cases.” 137 S. Ct. at 1187. But, critically, the amount of the award must bear some relation to the extent of the misconduct. *Rambus*, 318 F.3d at 1106. The district

court must explain that relationship, at least to the extent practicable.

Appellees cite our decision in *Monolithic Power Systems, Inc. v. O2 Micro International Ltd.*, 726 F.3d 1359 (Fed. Cir. 2013), where we upheld a full award of attorney fees against a party whose “extensive misconduct was enough to comprise an abusive pattern or a vexatious strategy that was pervasive enough to infect the entire litigation.” *Id.* at 1369 (internal quotation marks omitted). Under the circumstances there, we held “that [the party’s] rampant misconduct so severely affected every stage of the litigation that a full award of attorney fees was proper.” *Id.*

But the district court here never made such a finding. It said only that the inducements to witnesses “g[ave] rise to a considerable risk of tainted testimony, that the destruction of documents “was prejudicial” to AOPs because it prevented them from conducting “full discovery of relevant documents,” and that “Rembrandt should have known that the ‘revived patents’—two of the nine in the litigation—“were unenforceable.” *Exceptional Case Order*, at 3 n.4.⁶ Although the district court also said that “Rembrandt must take responsibility for its own massive litigation,” *id.*, none of the district court’s language implies that it thought the specific instances of misconduct above bore the kind of relation to the overall litigation contemplated by *Goodyear* or *Rambus*.

⁶ Appellees claim that the district court found that “Rembrandt denied Appellees the opportunity ‘to conduct full discovery’ and ‘prejudic[ed]’ them at every turn.” Appellees’ Br. 66 (alteration in original) (quoting *Exceptional Case Order*, at 3 n.4). Appellees read too much into the district court’s decision.

In fact, several of the district court's findings suggest otherwise. The district court rejected Adelphia's claim that Rembrandt had sued in bad faith and that its legal positions were unreasonable. *Id.* at 3 n.5. And, in one of its subsequent orders, the court found that expert fees were not warranted because they can be awarded only when a "party acted in bad faith, vexatiously, wantonly, [or] for oppressive reasons," and that "such a finding is not warranted in this case." *First Fees Order*, at 2 n.3. The district court similarly found "that there has not been the kind of bad faith through litigation that warrants prejudgment interest on the amount of fees awarded." *Id.* at 2 n.6.

Appellees also imply that the fee award was appropriate because the destroyed documents and the inducements to witnesses affected every issue in the suit. Appellees point to their own itemization of the documents destroyed and their relevance to the case. Rembrandt, on the other hand, submitted a declaration accompanied by extensive documentation explaining all of the aspects of the case that the misconduct did *not* affect. Rembrandt notes, moreover, that the improperly revived patents were not asserted against Adelphia, that the on-sale bar defense was only relevant to two patents, and that the '627 patent was on a separate track and had no overlap with the issues involving the other patents.

The district court, by and large, did not even attempt to assess which issues the claimed misconduct affected. It specifically addressed the fees Appellees incurred relating to the '627 patent, which Appellees had listed separately in their proposed orders. *Second Fees Order*, at 2 n.1. But the district court did not establish a causal connection between the misconduct and those fees, and it did not offer any other reason for its fee award. *Id.* And, even though the district court explained why it awarded the attorney fees that Adelphia incurred defending against Rembrandt in bankruptcy court, it again failed to connect

the misconduct with Adelphia's fees. Nowhere did the district court address the requisite "causal connection" it was required to find between the misconduct and the fees it awarded. *Goodyear*, 137 S. Ct. at 1187.

In the run-of-the-mill patent infringement case involving a few patents and a couple of defendants, a finding of pervasive misbehavior or inequitable conduct that affects all of the patents in suit may justify an award of all of the fees incurred. But this massive case featured nine patents and dozens of defendants, and the claimed misconduct affected only some patents asserted against some defendants. 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 award. *Id.* What the district court did here—award all fees with no explanation whatsoever of such a causal connection—was not enough.

The most appropriate course, therefore, is to remand for the district court to determine in the first instance how much of the claimed fees Rembrandt should pay. This does not require a tedious, line-by-line investigation of the hours Appellees expended. As the Supreme Court recently explained in *Goodyear*, "[t]he essential goal' in shifting fees' is 'to do rough justice, not to achieve auditing perfection.'" *Id.* (quoting *Fox v. Vice*, 563 U.S. 826, 838 (2011)). "The court may decide, for example, that all (or a set percentage) of a particular category of expenses—say, for expert discovery—were incurred solely because of a litigant's bad-faith conduct." *Id.* "And such judgments, in light of the trial court's 'superior understanding of the litigation,' are entitled to substantial deference on appeal." *Id.* (quoting *Hensley*, 461 U.S. at 437).

We therefore vacate the district court's fee award and remand for the district court to conduct the appropriate analysis in the first instance.

III. CONCLUSION

We affirm the district court's determination that this case is exceptional under § 285. We vacate, however, its award of attorney fees and remand for further proceedings consistent with this opinion.

**AFFIRMED IN PART, VACATED IN PART,
AND REMANDED**

COSTS

No costs.



KeyCite Yellow Flag - Negative Treatment

Declined to Extend by [Dynamic Concepts, Inc. v. Tri-State Surgical Supply and Equipment Ltd.](#), 2nd Cir.(N.Y.), November 8, 2017

134 S.Ct. 1749
Supreme Court of the United States

OCTANE FITNESS, LLC, Petitioner

v.

ICON HEALTH & FITNESS, INC.

No. 12–1184.

|
Argued Feb. 26, 2014.|
Decided April 29, 2014.**Synopsis**

Background: Patentee brought action against competitor alleging infringement of its patent for elliptical machine that allowed for adjustable stride length. The United States District Court for the District of Minnesota, [Ann D. Montgomery, J.](#), granted summary judgment of noninfringement, [2011 WL 2457914](#), and denied competitor's motion for attorney fees, [2011 WL 3900975](#). Parties filed cross-appeals. The United States Court of Appeals for the Federal Circuit, Lourie, Circuit Judge, [496 Fed.Appx. 57](#), affirmed, and certiorari was granted.

Holdings: The Supreme Court, Justice [Sotomayor, J.](#), held that:

[1] an “exceptional case,” within meaning of the Patent Act's fee-shifting provision, 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, abrogating [Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.](#), 393 F.3d 1378, and

[2] patent litigants are not required to establish their entitlement to fees by clear and convincing evidence.

Reversed and remanded.

Justice [Scalia](#) joined in part.

Procedural Posture(s): On Appeal; Motion for Summary Judgment.

West Headnotes (13)

[1] **Patents** 🔑 Purpose and construction in general

In patent law, as in all statutory construction, unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning.

[8 Cases that cite this headnote](#)

[2] **Patents** 🔑 Exceptional cases in general

An “exceptional case,” within meaning of the Patent Act's fee-shifting provision, 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; abrogating [Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.](#), 393 F.3d 1378.

[1079 Cases that cite this headnote](#)

[3] **Patents** 🔑 Exceptional cases in general

District courts may determine whether a case is “exceptional” under the Patent Act's fee-shifting provision in the case-by-case exercise of their discretion, considering the totality of the circumstances; there is no precise rule or formula for making these determinations, but instead equitable discretion should be exercised in light of the considerations the Supreme Court has identified. 35 U.S.C.A. § 285.

[790 Cases that cite this headnote](#)

[4] **Patents** 🔑 Exceptional cases in general

A district court may award attorney fees under the Patent Act's fee-shifting provision in the rare case in which a party's unreasonable conduct, while not necessarily independently

sanctionable, is nonetheless so “exceptional” as to justify an award of fees. 35 U.S.C.A. § 285.

532 Cases that cite this headnote

[5] **Patents** 🔑 Exceptional cases in general

A case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant an attorney fees award under the Patent Act's fee-shifting provision. 35 U.S.C.A. § 285.

206 Cases that cite this headnote

[6] **Antitrust and Trade Regulation** 🔑 Litigation; sham litigation
Constitutional Law 🔑 Antitrust

Under the “*Noerr–Pennington* doctrine,” defendants are immune from antitrust liability for engaging in conduct, including litigation, aimed at influencing decisionmaking by the government.

44 Cases that cite this headnote

[7] **Antitrust and Trade Regulation** 🔑 Litigation; sham litigation
Constitutional Law 🔑 Noerr–Pennington Doctrine

Under a “sham exception” to the *Noerr–Pennington* doctrine, activity ostensibly directed toward influencing governmental action does not qualify for *Noerr* immunity if it is a mere sham to cover an attempt to interfere directly with the business relationships of a competitor.

42 Cases that cite this headnote

[8] **Constitutional Law** 🔑 Noerr–Pennington Doctrine

The Supreme Court crafted the *Noerr–Pennington* doctrine, and carved out only a narrow exception for “sham” litigation, to avoid chilling the exercise of the First Amendment right to petition the government

for the redress of grievances. U.S.C.A. Const.Amend. 1.

45 Cases that cite this headnote

[9] **Costs, Fees, and Sanctions** 🔑 Meritless or Bad-Faith Litigation

Costs, Fees, and Sanctions 🔑 Particular Litigation Conduct

Costs, Fees, and Sanctions 🔑 Inherent authority

Costs, Fees, and Sanctions 🔑 Reasonableness or Bad Faith

A common-law exception to the general “American rule” against fee-shifting is inherent in the power of the courts and applies for willful disobedience of a court order or when the losing party has acted in bad faith, vexatiously, wantonly, or for oppressive reasons.

36 Cases that cite this headnote

[10] **Patents** 🔑 Evidence

Patent litigants are not required to establish their entitlement to fees under the Patent Act's fee-shifting provision by clear and convincing evidence. 35 U.S.C.A. § 285.

25 Cases that cite this headnote

[11] **Patents** 🔑 Attorney Fees
Patents 🔑 Evidence

The Patent Act's fee-shifting provision demands a simple discretionary inquiry; it imposes no specific evidentiary burden. 35 U.S.C.A. § 285.

31 Cases that cite this headnote

[12] **Patents** 🔑 Degree of proof

Patent-infringement litigation has always been governed by a preponderance of the evidence standard, and that is the standard generally applicable in civil actions, because it allows both parties to share the risk of error in roughly equal fashion. 35 U.S.C.A. § 285.

33 Cases that cite this headnote

- [13] **Patents** 🔑 In general; utility
US Patent 6,019,710. Cited.

****1751 Syllabus ***

* The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U.S. 321, 337, 26 S.Ct. 282, 50 L.Ed. 499.

***545** The Patent Act's fee-shifting provision authorizes district courts to award attorney's fees to prevailing parties in "exceptional cases." 35 U.S.C. § 285. In *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, 393 F.3d 1378, 1381, the Federal Circuit defined an "exceptional case" as one which either involves "material inappropriate conduct" or is both "objectively baseless" and "brought in subjective bad faith." *Brooks Furniture* also requires that parties establish the "exceptional" nature of a case by "clear and convincing evidence." *Id.*, at 1382.

Respondent ICON Health & Fitness, Inc., sued petitioner Octane Fitness, LLC, for patent infringement. The District Court granted summary judgment to Octane. Octane then moved for attorney's fees under § 285. The District Court denied the motion under the *Brooks Furniture* framework, finding ICON's claim to be neither objectively baseless nor brought in subjective bad faith. The Federal Circuit affirmed.

Held: The *Brooks Furniture* framework is unduly rigid and impermissibly encumbers the statutory grant of discretion to district courts. Pp. 1755 – 1758.

(a) Section 285 imposes one and only one constraint on district courts' discretion to award attorney's fees: The power is reserved for "exceptional" cases. Because the Patent Act does not define "exceptional," the term is construed "in accordance with [its] ordinary meaning." *Sebelius v. Cloer*, 569 U.S. —, —, 133 S.Ct. 1886, 1893, 185 L.Ed.2d 1003. In 1952, when Congress used the word in § 285 (and today, for that matter), "[e]xceptional" meant "uncommon," "rare," or "not ordinary." Webster's New

International Dictionary 889 (2d ed. 1934). An "exceptional" case, then, 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. Cf. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455. Pp. 1755 – 1756.

***546** (b) The *Brooks Furniture* framework superimposes an inflexible framework onto statutory text that is inherently flexible. Pp. 1756 – 1758.

(1) *Brooks Furniture* is too restrictive in defining the two categories of cases in which fee awards are allowed. The first category—cases involving litigation or certain other misconduct—appears to extend largely to independently sanctionable conduct. But that is not the appropriate benchmark. A district court may award fees in the rare case in which a party's unreasonable, though not independently sanctionable, conduct is so "exceptional" as to justify an award. For litigation to fall within the second category, a district court must determine that the litigation is both objectively baseless and brought in subjective bad faith. But a case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to be "exceptional." The Federal Circuit imported this second category from *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*, 508 U.S. 49, 113 S.Ct. 1920, 123 L.Ed.2d 611, but that case's standard finds no roots in § 285's text and makes little sense in the context of the exceptional-case determination. Pp. 1756 – 1758.

(2) *Brooks Furniture* is so demanding that it would appear to render § 285 largely superfluous. Because courts already possess the inherent power to award fees in cases involving misconduct or bad faith, see *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 258–259, 95 S.Ct. 1612, 44 L.Ed.2d 141, this Court has declined to construe fee-shifting provisions narrowly so as to avoid rendering them superfluous. See, e.g., *Christiansburg Garment Co. v. EEOC*, 434 U.S. 412, 419, 98 S.Ct. 694, 54 L.Ed.2d 648. Pp. 1757 – 1758.

(3) *Brooks Furniture*'s requirement that proof of entitlement to fees be made by clear and convincing evidence is not

justified by § 285, which imposes no specific evidentiary burden. Nor has this Court interpreted comparable fee-shifting statutes to require such a burden of proof. See, e.g., *Fogerty*, 510 U.S., at 519, 114 S.Ct. 1023. P. 1758.

496 Fed.Appx. 57, reversed and remanded.

SOTOMAYOR, J., delivered the opinion of the Court, in which ROBERTS, C.J., and KENNEDY, THOMAS, GINSBURG, BREYER, ALITO, and KAGAN, JJ., joined, and in which SCALIA, J., joined except as to footnotes 1–3.

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Opinion

Justice SOTOMAYOR delivered the opinion of the Court. *

* Justice SCALIA joins this opinion except as to footnotes 1–3.

*548 Section 285 of the Patent Act authorizes a district court to award attorney's fees in patent litigation. It provides, in its entirety, that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. In *Brooks Furniture Mfg., Inc. v. Dutilleul Int'l, Inc.*, 393 F.3d 1378 (2005), the United States Court of Appeals for the Federal Circuit held that “[a] case may be deemed exceptional” under § 285 only in two limited circumstances: “when there has been some material inappropriate conduct,” or when the litigation is both “brought in subjective bad faith” and “objectively baseless.” *Id.*, at 1381. The question before us is whether the *Brooks Furniture* framework **1753 is consistent with the statutory text. We hold that it is not.

I

A

Prior to 1946, the Patent Act did not authorize the awarding of attorney's fees to the prevailing party in patent litigation. Rather, the “American Rule” governed: “‘[E]ach litigant pa[id] his own attorney's fees, win or lose....’” *Marx v. General Revenue Corp.*, 568 U.S. —, —, 133 S.Ct. 1166, 1175, 185 L.Ed.2d 242 (2013). In 1946, Congress amended the Patent Act to add a discretionary fee-shifting provision, then codified in § 70, which stated that a court “may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment in any patent case.” 35 U.S.C. § 70 (1946 ed.).¹

¹ This provision did “not contemplat[e] that the recovery of attorney's fees [would] become an ordinary thing in patent suits....” S.Rep. No. 79–1503, p. 2 (1946).

Courts did not award fees under § 70 as a matter of course. They viewed the award of fees not “as a penalty for failure to win a patent infringement suit,” but as appropriate “only in extraordinary circumstances.” *Park-In-Theatres, Inc. v. *549 Perkins*, 190 F.2d 137, 142 (C.A.9 1951). The provision enabled them to address “unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force,” which made a case so unusual as to warrant fee-shifting. *Ibid.*; see also *Pennsylvania Crusher Co. v. Bethlehem Steel Co.*, 193 F.2d 445, 451 (C.A.3 1951) (listing as “adequate justification[s]” for fee awards “fraud practiced on the Patent Office or vexatious or unjustified litigation”).

Six years later, Congress amended the fee-shifting provision and recodified it as § 285. Whereas § 70 had specified that a district court could “in its discretion award reasonable attorney's fees to the prevailing party,” the revised language of § 285 (which remains in force today) provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” We have observed, in interpreting the damages provision of the Patent Act, that the addition of the phrase “exceptional cases” to § 285 was “for purposes of clarification only.”² *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 653, n. 8, 103 S.Ct. 2058, 76 L.Ed.2d 211

(1983); see also *id.*, at 652, n. 6, 103 S.Ct. 2058. And the parties agree that the recodification did not substantively alter the meaning of the statute.³

2 The Senate Report similarly explained that the new provision was “substantially the same as” § 70, and that the “ ‘exceptional cases’ ” language was added simply to “expres[s] the intention of the [1946] statute as shown by its legislative history and as interpreted by the courts.” S.Rep. No. 82–1979, p. 30 (1952), 1952 U.S.C.C.A.N. 2394, 2423.

3 See Brief for Petitioner 35 (“[T]his amendment was not intended to create a stricter standard for fee awards, but instead was intended to clarify and endorse the already-existing statutory standard”); Brief for Respondent 17 (“When it enacted § 285, as the historical notes to this provision make clear, Congress adopted the standards applied by courts interpreting that statute’s predecessor, § 70 of the 1946 statute. Congress explained that § 285 ‘is substantially the same as the corresponding provision in’ § 70”).

For three decades after the enactment of § 285, courts applied it—as they had applied § 70—in a discretionary manner, assessing various factors to determine whether a given case *550 was sufficiently “exceptional” to warrant a fee award. See, e.g., *True Temper Corp. v. CF & I Steel Corp.*, 601 F.2d 495, 508–509 (C.A.10 1979); *Kearney & Trecker Corp. v. Giddings & Lewis, Inc.*, 452 F.2d 579, 597 (C.A.7 1971); **1754 *Siebring v. Hansen*, 346 F.2d 474, 480–481 (C.A.8 1965).

In 1982, Congress created the Federal Circuit and vested it with exclusive appellate jurisdiction in patent cases. 28 U.S.C. § 1295. In the two decades that followed, the Federal Circuit, like the regional circuits before it, instructed district courts to consider the totality of the circumstances when making fee determinations under § 285. See, e.g., *Rohm & Haas Co. v. Crystal Chemical Co.*, 736 F.2d 688, 691 (C.A.Fed.1984) (“Cases decided under § 285 have noted that ‘the substitution of the phrase “in exceptional cases” has not done away with the discretionary feature’ ”); *Yamanouchi Pharmaceutical Co., Ltd. v. Danbury Pharmacal, Inc.*, 231 F.3d 1339, 1347 (C.A.Fed.2000) (“In assessing whether a case qualifies as exceptional, the district court must look at the totality of the circumstances”).

In 2005, however, the Federal Circuit abandoned that holistic, equitable approach in favor of a more rigid and mechanical formulation. In *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378 (2005), the court held that a case is “exceptional” under § 285 only “when there has been some material inappropriate conduct related to the matter in litigation, such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed.R.Civ.P. 11, or like infractions.” *Id.*, at 1381. “Absent misconduct in conduct of the litigation or in securing the patent,” the Federal Circuit continued, fees “may be imposed against the patentee only if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless.” *Ibid.* The Federal Circuit subsequently clarified that litigation is objectively baseless only if it is “so unreasonable that no reasonable litigant could believe it would *551 succeed,” *iLOR, LLC v. Google, Inc.*, 631 F.3d 1372, 1378 (2011), and that litigation is brought in subjective bad faith only if the plaintiff “actually know[s]” that it is objectively baseless, *id.*, at 1377.⁴

4 In *Kilopass Technology, Inc. v. Sidense Corp.*, 738 F.3d 1302 (C.A.Fed.2013)—decided after our grant of certiorari but before we heard oral argument in this case—the Federal Circuit appeared to cut back on the “subjective bad faith” inquiry, holding that the language in *iLOR* was dictum and that “actual knowledge of baselessness is not required.” 738 F.3d, at 1310. Rather, the court held, “a defendant need only prove reckless conduct to satisfy the subjective component of the § 285 analysis,” *ibid.*, and courts may “dra[w] an inference of bad faith from circumstantial evidence thereof when a patentee pursues claims that are devoid of merit,” *id.*, at 1311. Most importantly, the Federal Circuit stated that “[o]bjective baselessness alone can create a sufficient inference of bad faith to establish exceptionality under § 285, unless the circumstances as a whole show a lack of recklessness on the patentee’s part.” *Id.*, at 1314. Chief Judge Rader wrote a concurring opinion that sharply criticized *Brooks Furniture*, 738 F.3d, at 1318–1320; the court, he said, “should have remained true to its original reading of” § 285, *id.*, at 1320.

Finally, *Brooks Furniture* held that because “[t]here is a presumption that the assertion of infringement of a duly

granted patent is made in good faith[,] ... the underlying improper conduct and the characterization of the case as exceptional must be established by clear and convincing evidence.” 393 F.3d, at 1382.

B

The parties to this litigation are manufacturers of exercise equipment. The respondent, ICON Health & Fitness, Inc., owns U.S. Patent No. 6,019,710 ('710 patent), which discloses an elliptical exercise machine that allows for adjustments to fit the individual stride paths of users. ICON is a major manufacturer of exercise equipment, **1755 but it has never commercially sold the machine disclosed in the '710 patent. The petitioner, Octane Fitness, LLC, also manufactures exercise equipment, including elliptical machines known as the Q45 and Q47.

*552 ICON sued Octane, alleging that the Q45 and Q47 infringed several claims of the '710 patent. The District Court granted Octane's motion for summary judgment, concluding that Octane's machines did not infringe ICON's patent. 2011 WL 2457914 (D.Minn., June 17, 2011). Octane then moved for attorney's fees under § 285. Applying the *Brooks Furniture* standard, the District Court denied Octane's motion. 2011 WL 3900975 (D.Minn., Sept. 6, 2011). It determined that Octane could show neither that ICON's claim was objectively baseless nor that ICON had brought it in subjective bad faith. As to objective baselessness, the District Court rejected Octane's argument that the judgment of noninfringement “should have been a foregone conclusion to anyone who visually inspected” Octane's machines. *Id.*, *2. The court explained that although it had rejected ICON's infringement arguments, they were neither “frivolous” nor “objectively baseless.” *Id.*, *2–*3. The court also found no subjective bad faith on ICON's part, dismissing as insufficient both “the fact that [ICON] is a bigger company which never commercialized the ' 710 patent” and an e-mail exchange between two ICON sales executives, which Octane had offered as evidence that ICON had brought the infringement action “as a matter of commercial strategy.”⁵ *Id.*, *4.

5

One e-mail, sent from ICON's Vice President of Global Sales to two employees, read: “ ‘We are suing Octane. Not only are we coming out with a greater product to go after them, but throwing a lawsuit on top of that.’ ” 2011 WL 3900975,

*4. One of the recipients then forwarded that e-mail to a third party, along with the accompanying message: “ ‘Just clearing the way and making sure you guys have all your guns loaded!’ ” *Ibid.* More than a year later, that same employee sent an e-mail to the Vice President of Global Sales with the subject, “ ‘I heard we are suing Octane!’ ” *Ibid.* The executive responded as follows: “ ‘Yes—old patent we had for a long time that was sitting on the shelf. They are just looking for royalties.’ ” *Ibid.* The District Court wrote that “in the light most favorable to Octane, these remarks are stray comments by employees with no demonstrated connection to the lawsuit.” *Ibid.*

*553 ICON appealed the judgment of noninfringement, and Octane cross-appealed the denial of attorney's fees. The Federal Circuit affirmed both orders. 496 Fed.Appx. 57 (2012). In upholding the denial of attorney's fees, it rejected Octane's argument that the District Court had “applied an overly restrictive standard in refusing to find the case exceptional under § 285.” *Id.*, at 65. The Federal Circuit declined to “revisit the settled standard for exceptionality.” *Ibid.*

We granted certiorari, 570 U.S. —, 134 S.Ct. 49, 186 L.Ed.2d 962 (2013), and now reverse.

II

The framework established by the Federal Circuit in *Brooks Furniture* is unduly rigid, and it impermissibly encumbers the statutory grant of discretion to district courts.

A

Our analysis begins and ends with the text of § 285: “The court in exceptional cases may award reasonable attorney fees to the prevailing party.” This text is patently clear. It imposes one and only one constraint on district courts' discretion to award attorney's fees in patent litigation: **1756 The power is reserved for “exceptional” cases.

[1] The Patent Act does not define “exceptional,” so we construe it “ ‘in accordance with [its] ordinary meaning.’ ” *Sebelius v. Cloer*, 569 U.S. —, —, 133 S.Ct. 1886, 1893, 185 L.Ed.2d 1003 (2013); see also *Bilski v. Kappos*, 561 U.S. 593, —, 130 S.Ct. 3218, 3226, 177

L.Ed.2d 792 (2010) (“In patent law, as in all statutory construction, ‘[u]nless otherwise defined, ‘words will be interpreted as taking their ordinary, contemporary, common meaning’ ”). In 1952, when Congress used the word in § 285 (and today, for that matter), “[e]xceptional” meant “uncommon,” “rare,” or “not ordinary.” Webster’s New International Dictionary 889 (2d ed. 1934); see also 3 Oxford English Dictionary 374 (1933) (defining “exceptional” as “out of the ordinary course,” “unusual,” or “special”); Merriam–Webster’s Collegiate Dictionary 435 (11th ed. 2008) *554 (defining “exceptional” as “rare”); *Noxell Corp. v. Firehouse No. 1 Bar–B–Que Restaurant*, 771 F.2d 521, 526 (C.A.D.C.1985) (R.B. Ginsburg, J., joined by Scalia, J.) (interpreting the term “exceptional” in the Lanham Act’s identical fee-shifting provision, 15 U.S.C. § 1117(a), to mean “uncommon” or “not run-of-the-mill”).

[2] [3] We hold, then, that 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.⁶ As in the comparable context of the Copyright Act, “ ‘[t]here is no precise rule or formula for making these determinations,’ but instead equitable discretion should be exercised ‘in light of the considerations we have identified.’ ” *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994).

6 In *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994), for example, we explained that in determining whether to award fees under a similar provision in the Copyright Act, district courts could consider a “nonexclusive” list of “factors,” including “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.*, at 534, n. 19, 114 S.Ct. 1023 (internal quotation marks omitted).

B

1

The Federal Circuit’s formulation is overly rigid. Under the standard crafted in *Brooks Furniture*, a case is “exceptional” only if a district court either finds litigation-related misconduct of an independently sanctionable magnitude or determines that the litigation was both “brought in subjective bad faith” and “objectively baseless.” *555 393 F.3d, at 1381. This formulation superimposes an inflexible framework onto statutory text that is inherently flexible.

[4] For one thing, the first category of cases in which the Federal Circuit allows fee awards—those involving litigation misconduct or certain other misconduct—appears to extend largely to independently sanctionable conduct. See *ibid.* (defining litigation-related misconduct to include “willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed.R.Civ.P. 11, or like infractions”). But sanctionable conduct is not the appropriate benchmark. Under the standard announced **1757 today, a district court may award fees in the rare case in which a party’s unreasonable conduct—while not necessarily independently sanctionable—is nonetheless so “exceptional” as to justify an award of fees.

[5] The second category of cases in which the Federal Circuit allows fee awards is also too restrictive. In order for a case to fall within this second category, a district court must determine *both* that the litigation is objectively baseless *and* that the plaintiff brought it in subjective bad faith. But a case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award. Cf. *Noxell*, 771 F.2d, at 526 (“[W]e think it fair to assume that Congress did not intend rigidly to limit recovery of fees by a [Lanham Act] defendant to the rare case in which a court finds that the plaintiff ‘acted in bad faith, vexatiously, wantonly, or for oppressive reasons’.... Something less than ‘bad faith,’ we believe, suffices to mark a case as ‘exceptional’ ”).

[6] [7] ICON argues that the dual requirement of “subjective bad faith” and “objective baselessness” follows from this Court’s decision in *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*, 508 U.S. 49, 113 S.Ct. 1920, 123 L.Ed.2d 611 (1993) (*PRE*), which involved an exception to the *Noerr–Pennington* doctrine of antitrust law. It does not. Under the *Noerr–Pennington* doctrine—established by *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 81 S.Ct. 523, 5 L.Ed.2d 464 (1961), and *United Mine*

Workers v. Pennington, 381 U.S. 657, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965)—defendants are immune from antitrust liability for engaging in conduct (including litigation) aimed at influencing decisionmaking by the government. *PRE*, 508 U.S., at 56, 113 S.Ct. 1920. But under a “sham exception” to this doctrine, “activity ‘ostensibly directed toward influencing governmental action’ does not qualify for *Noerr* immunity if it ‘is a mere sham to cover ... an attempt to interfere directly with the business relationships of a competitor.’ ” *Id.*, at 51, 113 S.Ct. 1920. In *PRE*, we held that to qualify as a “sham,” a “lawsuit must be objectively baseless” and must “concea[l] ‘an attempt to interfere directly with the business relationships of a competitor....’ ” *Id.*, at 60–61, 113 S.Ct. 1920 (emphasis deleted). In other words, the plaintiff must have brought baseless claims in an attempt to thwart competition (*i.e.*, in bad faith).

[8] In *Brooks Furniture*, the Federal Circuit imported the *PRE* standard into § 285. See 393 F.3d, at 1381. But the *PRE* standard finds no roots in the text of § 285, and it makes little sense in the context of determining whether a case is so “exceptional” as to justify an award of attorney’s fees in patent litigation. We crafted the *Noerr–Pennington* doctrine—and carved out only a narrow exception for “sham” litigation—to avoid chilling the exercise of the First Amendment right to petition the government for the redress of grievances. See *PRE*, 508 U.S., at 56, 113 S.Ct. 1920 (“Those who petition government for redress are generally immune from antitrust liability”). But to the extent that patent suits are similarly protected as acts of petitioning, it is not clear why the shifting of fees in an “exceptional” case would diminish that right. The threat of antitrust liability (and the attendant treble damages, 15 U.S.C. § 15) far more significantly chills the exercise of the right to petition than does the mere shifting of attorney’s fees. In the *Noerr–Pennington* context, defendants seek immunity from a judicial declaration that their filing *557 of a **1758 lawsuit was actually unlawful; here, they seek immunity from a far less onerous declaration that they should bear the costs of that lawsuit in exceptional cases.

2

[9] We reject *Brooks Furniture* for another reason: It is so demanding that it would appear to render § 285 largely superfluous. We have long recognized a common-law exception to the general “American rule” against fee-shifting—an exception, “inherent” in the “power [of] the courts” that applies for “‘willful disobedience of a court order’ ” or “when

the losing party has ‘acted in bad faith, vexatiously, wantonly, or for oppressive reasons....’ ” *Alyeska Pipeline Service Co. v. Wilderness Society*, 421 U.S. 240, 258–259, 95 S.Ct. 1612, 44 L.Ed.2d 141 (1975). We have twice declined to construe fee-shifting provisions narrowly on the basis that doing so would render them superfluous, given the background exception to the American rule, see *Christiansburg Garment Co. v. EEOC*, 434 U.S. 412, 419, 98 S.Ct. 694, 54 L.Ed.2d 648 (1978); *Newman v. Piggie Park Enterprises, Inc.*, 390 U.S. 400, 402, n. 4, 88 S.Ct. 964, 19 L.Ed.2d 1263 (1968) (*per curiam*), and we again decline to do so here.

3

[10] [11] [12] Finally, we reject the Federal Circuit’s requirement that patent litigants establish their entitlement to fees under § 285 by “clear and convincing evidence,” *Brooks Furniture*, 393 F.3d, at 1382. We have not interpreted comparable fee-shifting statutes to require proof of entitlement to fees by clear and convincing evidence. See, *e.g.*, *Fogerty*, 510 U.S., at 519, 114 S.Ct. 1023; *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 110 S.Ct. 2447, 110 L.Ed.2d 359 (1990); *Pierce v. Underwood*, 487 U.S. 552, 558, 108 S.Ct. 2541, 101 L.Ed.2d 490 (1988). And nothing in § 285 justifies such a high standard of proof. Section 285 demands a simple discretionary inquiry; it imposes no specific evidentiary burden, much less such a high one. Indeed, patent-infringement litigation has always been governed by a preponderance of the evidence standard, see, *e.g.*, *Bene v. *558 Jeantet*, 129 U.S. 683, 688, 9 S.Ct. 428, 32 L.Ed. 803 (1889), and that is the “standard generally applicable in civil actions,” because it “allows both parties to ‘share the risk of error in roughly equal fashion,’ ” *Herman & MacLean v. Huddleston*, 459 U.S. 375, 390, 103 S.Ct. 683, 74 L.Ed.2d 548 (1983).

* * *

For the foregoing reasons, the judgment of the United States Court of Appeals for the Federal Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

All Citations

2014 Daily Journal D.A.R. 5346, 24 Fla. L. Weekly Fed. S
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4330, 110 U.S.P.Q.2d 1337, 14 Cal. Daily Op. Serv. 4594,

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ONE WORLD TECHNOLOGIES, INC., D/B/A TECHTRONIC
INDUSTRIES POWER EQUIPMENT,

Petitioner,

v.

CHERVON (HK) LIMITED,

Patent Owner.

IPR2020-00884 (Patent 9,596,806 B2)

IPR2020-00886 (Patent 9,826,686 B2)

IPR2020-00887 (Patent 9,986,686 B2)

IPR2020-00888 (Patent 10,070,588 B2)

Before LINDA E. HORNER, BARRY L. GROSSMAN, JAMES J.
MAYBERRY, and ALYSSA A. FINAMORE,
*Administrative Patent Judges.*¹

MAYBERRY, *Administrative Patent Judge.*

¹ This is not an expanded panel. Each of the four listed judges is part of one or more three-judge panels assigned to the listed proceedings.

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ORDER²
Granting Petitioner's Motion for Sanctions
37 C.F.R. §§ 42.12, 42.20

I. BACKGROUND

On January 29, 2021, Patent Owner filed a Patent Owner Response in these four *inter partes* review proceedings. Paper 25.³ Patent Owner also filed Exhibit 2029, the transcript of a deposition it conducted of Mr. Lee Sowell, and a motion to seal the exhibit. Paper 26. Exhibit 2029 was filed under seal and marked "Protective Order Material." The motion to seal states that "Petitioner and Patent Owner request entry of the Default Protective Order found in the Board's Trial Practice Guide." Paper 26, 3.

Parallel to these four *inter partes* review proceedings, the parties are involved in patent infringement litigation in the U.S. District Court for the District of Delaware, in a case styled *Chervon (HK) Limited v. One World Technologies, Inc.*, No. 1:19-cv-01293-LPS (D. Del. filed July 11, 2019). Paper 2, 1; Paper 5, 1 (the "Litigation").

On February 11, 2021, we granted Petitioner, One World Technologies, Inc., d/b/a Techtronic Industries Power Equipment ("One World") authorization to file a motion for sanctions against Patent Owner, Chervon (HK) Ltd. ("Chervon"), for allegedly violating the default

² This Order addresses issues that are the same in all listed cases. We do not authorize the parties to use this style heading for any subsequent papers at this time.

³ We cite to papers and exhibits for IPR2020-00884. Similar papers and exhibits have been filed in the other proceedings.

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Protective Order governing the proceedings in IPR2020-00884, IPR2020-00886, IPR2020-00887, and IPR2020-00888. Paper 27, 6.

On February 18, 2021, Petitioner filed its Motion for Sanctions. Paper 30 (the “Motion” or “Mot.”). With the Motion, Petitioner filed a redacted version of Exhibit 2029, as Exhibit 1039.⁴ Patent Owner filed an Opposition to the Motion (Paper 31, “Opposition” or “Opp.”), and Petitioner replied to the Opposition (Paper 33, “Reply”). For the reasons provided below, we grant Petitioner’s Motion.

II. UNDISPUTED MATERIAL FACTS

The following lists material facts that are undisputed by the parties.

1. On January 19, 2021, Patent Owner took the deposition of Petitioner’s Group President, Mr. Lee Sowell. Mot. 1; Opp. 1. Petitioner’s counsel designated the transcript, Exhibit 2029, as confidential during the deposition. Mot. 1.
2. The transcript of the deposition is marked with a footer that reads “PROTECTIVE ORDER MATERIAL IPR2020-00884, -00886, -00887, -00888.” Mot. 1; Ex. 2029.
3. Patent Owner filed Exhibit 2029 under seal in the four *inter partes* review proceedings on January 29, 2021, along with a motion to seal the exhibit. Mot. 1; *see also* Paper 26 (providing the motion to seal Exhibit 2029). The Board has not yet ruled on the motion to seal.
4. The parties agreed to be bound by our default Protective Order. Mot. 1; Paper 26, 3.

⁴ Although Patent Owner, Chervon, filed Exhibit 2029, any confidential information contained in the transcript is that of Petitioner, One World. As such, we ordered Petitioner to file a redacted version of Ex. 2029 no later than the time it filed its motion for sanctions. Paper 27, 6.

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5. On February 3, 2021, Patent Owner produced Exhibit 2029 in the Litigation, with a designation of “Highly Confidential-Attorneys’ Eyes Only.” Mot. 2; Opp. 1.
6. Petitioner’s counsel in the Litigation is from the same law firm that represents Petitioner in these four *inter partes* review proceedings—DLA Piper LLP. Opp. 1 n.1.
7. On February 10, 2021, Patent Owner’s counsel deleted Exhibit 2029 from the Litigation production and replaced it with a redacted version. Opp. 1.
8. On February 15, 2021, Patent Owner’s counsel provided Petitioner with the names of “all persons and entities who had access to or viewed the originally-produced Sowell deposition transcript in the Litigation.” Opp. 1.

III. ANALYSIS

We start with Petitioner’s arguments in support of its Motion. We then turn to Patent Owner’s opposing arguments and Petitioner’s reply to those opposing arguments.

A. *Petitioner’s Arguments*

Petitioner argues that, at the time Patent Owner produced the Sowell deposition transcript in the Litigation, “Patent Owner unquestionably ‘had an obligation under the [default] Protective Order to keep the information confidential, even if it disagreed with its designation as such.’” Mot. 3 (quoting *RPX Corp. v. Applications in Internet Time, LLC*, IPR2015-01750, Paper 58 at 2 (PTAB May 6, 2016)). Petitioner adds that, even if we ultimately deny the motion to seal the Sowell deposition transcript, “improper dissemination of protective order information prior to that decision is not ‘condoned or excused.’” Mot. 3–4 (quoting *Intri-Plex Techs.*,

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Inc. v. Saint-Gobain Performance Plastics Rencol Ltd., IPR2014-00309, Paper 84 at 6 (PTAB Mar. 30, 2015)).

Petitioner alleges harm by Patent Owner’s alleged breach of the default Protective Order. Mot. 4–5. First, despite the confidentiality designation of the Sowell deposition transcript in the Litigation, Patent Owner’s outside counsel would have access to the information and that certain of those counsel are not of record in this proceeding. Mot. 4. Second, individuals not authorized to see the confidential information could review and remember the information. *Id.* Third, the information became untethered from our proceedings and the restrictions of the default Protective Order. *Id.* Finally, the information, once untethered, could be improperly cited or produced in future litigation. *Id.*

As sanctions, Petitioner requests that we order Patent Owner to: (1) abide by the default Protective Order; (2) withdraw the Sowell deposition transcript from the Litigation document production; (3) identify those individuals that had access to or otherwise received the Sowell deposition transcript and the timing of such access or receipt; and (4) identify those individuals that signed the acknowledgement in the default Protective Order and when each individual signed. Mot. 5. Petitioner argues that “[t]hese sanctions are proportionate to the harm, and will . . . ‘promote respect for, and meticulous observance of protective orders, and to deter others from similar conduct’” *Id.* (citing *Intri-Plex Techs., Inc.*, IPR2014-00309, Paper 84 at 6).

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B. Patent Owner's Opposing Arguments and Petitioner's Reply

Patent Owner responds that its “conduct does not warrant sanctions.”

Opp. 2. Patent Owner argues that it “always kept the Sowell deposition transcript confidential and protected from third parties,” indicating that it designated the transcript in accordance with the protective order in place in the Litigation. *Id.* Patent Owner argues that its “production of Petitioner’s own confidential information back to Petitioner’s counsel and not to any third party cannot be a breach of confidentiality or sanctionable conduct.”

Opp. 3. Patent Owner additionally argues that Petitioner fails to establish that Patent Owner breached the default Protective Order, because including the transcript in a document production is not a “use” of confidential information as intended by the default Protective Order. *Id.* at 3 n.2.

Next, Patent Owner argues that Petitioner’s harm is speculative, such that Petitioner has not suffered any harm. Opp. 3. Patent Owner adds that “Petitioner cannot demonstrate that it has been harmed or prejudiced by having its own confidential information produced back to its own counsel on a ‘Highly Confidential-Attorneys’ Eyes Only’ basis.” *Id.* at 3–4.

Next, Patent Owner argues that the Motion is moot, because Patent Owner has already provided the remedy Petitioner seeks. Opp. 4. Also, Patent Owner argues that the Motion “is frivolous and harassing because Patent Owner corrected any alleged misconduct, Petitioner suffered no harm,

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and Petitioner obtained the relief it seeks several days before” filing the Motion. Opp. 4–5.⁵

Patent Owner also argues that Petitioner has used the default Protective Order “as a shield to avoid producing an unredacted version of the Sowell deposition transcript in the Litigation.” Opp. 5. Patent Owner states, in a footnote, that, “[i]n view of Petitioner’s refusal to produce the unredacted Sowell transcript, the Board should modify the [default Protective Order] to permit a party’s reliance on the transcript in the Litigation or simply adopt the parties’ Protective Order.” *Id.* at 5 n.5.

Petitioner replies that “[n]one of Patent Owner’s actions since [producing the unredacted version of the Sowell deposition transcript] absolve Patent Owner of that violation or render [the Motion] moot.” Reply 1. First, Petitioner argues that, although Patent Owner withdrew the unredacted version of the Sowell deposition transcript from the Litigation production and replaced it with a redacted version, that redacted version included a full, unredacted, index. *Id.*

Next, Petitioner argues that the default Protective Order “forbids circulation of confidential information not only to third parties but even to attorneys in the same law firm if they are not ‘of record for a party in the [IPR] proceeding.’” Reply 2 (citing ¶ 2(B) of the default Protective Order). Petitioner explains that the default Protective Order’s acknowledgement “requires the signer to agree that ‘I will use the confidential information only

⁵ Patent Owner seems to suggest that Petitioner’s conduct in filing the Motion after Patent Owner’s actions warrants sanctions. *See* Opp. 5 n.4 (citing 37 CFR § 42.12(a)).

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in connection with this proceeding and for no other purpose,’ and that “[t]he parallel litigation is clearly an ‘other purpose’ and is not ‘this proceeding.’” *Id.*

Next, Petitioner replies that, although Patent Owner has identified persons “who accessed or viewed ‘the originally-produced Sowell transcript in the Litigation,’” Patent Owner has not identified “to whom (and when) access to Mr. Sowell’s transcript or its content was provided.” Reply 2. Petitioner adds that, by producing the transcript, the transcript must of have been in the possession, custody, or control of Patent Owner, suggesting that the transcript was disseminated to Patent Owner, and not just counsel. *Id.* at 2–3.

Next, Petitioner replies that, in arguing that Petitioner’s harm is speculative, Patent Owner overlooks the actual harm of untethering the transcript from the default Protective Order. Reply 3. Petitioner also argues that Patent Owner ignores the importance in complying with a protective order. *Id.*

Finally, Petitioner argues that Patent Owner’s request that the Board order the production of the unredacted Sowell deposition transcript in the Litigation is improper and that we should decline such a request. Reply 3.

C. Analysis and Conclusions

We have authority to “impose a sanction against a party for misconduct.” 37 C.F.R. § 42.12. Misconduct includes, among other things, when a party “[fails] to comply with an applicable rule or order in the proceeding.” 37 C.F.R. § 42.12(a)(1); *see also* Consolidated Trial Practice

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Guide 107–108, (Nov. 21, 2019) (“CTPG”)⁶ (“The Board shall have the authority to enforce the terms of the Protective Order, to provide remedies for its breach, and to impose sanctions on a party and a party’s representatives for any violations of its terms.”).

In general, a motion for sanctions should address three factors:

- (i) whether a party has performed conduct that warrants sanctions;
- (ii) whether the moving party has suffered harm from that conduct; and
- (iii) whether the sanctions requested are proportionate to the harm suffered by the moving party. *See Square, Inc. v. Think Comput. Corp.*, CBM2014-00159, Paper 48 at 2 (PTAB Nov. 27, 2015). “The moving party has the burden of proof to establish that it is entitled to the requested relief.”

37 C.F.R. § 42.20(c).

We determine that Patent Owner’s conduct warrants sanctions. “Complete good faith compliance with protective orders is essential to modern discovery practices.” *Intri-Plex Techs., Inc.*, IPR2014-00309, Paper 84 at 6. It is undisputed that the unredacted version of the Sowell deposition transcript was subject to our default Protective Order. It is also undisputed that Patent Owner produced the unredacted version of the Sowell deposition transcript in the Litigation. Such action violates the default Protective Order by using the protected information for a purpose other than these *inter partes* review proceedings. *See* CTPG 121 (“I . . . affirm that . . . I will use the confidential information only in connection with this proceeding and for no other purpose.”). Patent Owner’s non-compliance

⁶ Available at <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf>.

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with the default Protective Order adversely affects discovery before the Board.

We are not persuaded that producing the deposition transcript to Petitioner's litigation counsel, who are from the same law firm as Petitioner's counsel for these *inter partes* review proceedings, with a confidentiality designation, absolves Patent Owner's actions. First, Petitioner's power of attorney in these proceedings is limited to three specific attorneys, not to an entire law firm. Paper 1, 2. Second, the issue before us is not whether Patent Owner did not reasonably protect the confidentiality of the Sowell deposition transcript, but instead, whether Patent Owner improperly used information protected by our Protective Order, by using protected information obtained in these proceedings for a purpose other than in these proceedings.

To the extent that Patent Owner argues that its mere production of the unredacted version of the Sowell deposition transcript in the Litigation does not constitute a "use" of the protected information, as that term is used in the default Protective Order, we do not agree. By including the transcript in a document production, Patent Owner made the document available in the Litigation and, as such, the protected information has been used. Indeed, if merely transferring a protected document from one party to another entity were not protected by the default Protective Order, then merely handing the same document to any third party would not be protected. We do not read the term "use" as narrowly as Patent Owner implies.

We also determine that Petitioner has suffered harm, for at least two reasons. First, we agree with Petitioner that, by improperly producing the

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Sowell deposition transcript, the protected information has been untethered from our control. Although we understand that Patent Owner produced the transcript under the requirements of the Litigation protective order, we have no control of that order or the protections it provides. Patent Owner's unauthorized production of protected information under our control wrests that control from us.

Second, Patent Owner's misuse of protected information erodes Petitioner's ongoing confidence that we will protect its confidential information in our proceedings. Similarly, an unsanctioned misuse of protected information reduces the faith other parties will have that the Board can protect these parties' confidential information.

We acknowledge Patent Owner's efforts to remedy its misuse, but determine that these efforts fall short of providing a complete remedy. For example, as Petitioner explains, Patent Owner did not remove the complete, unredacted index, when it replaced the unredacted transcript with a redacted transcript. The unredacted index could be used to match keywords and names to redacted sections of the transcript, thus effectively disclosing protected information by pairing the context of the transcript with the index citations.

We also determine that Petitioner's requested sanctions, as modified below, are proportionate to the harm. *See* 37 C.F.R. § 42.11(d)(4) ("A sanction imposed under this rule must be limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated and should be consistent with § 42.12."); *see e.g., Apple Inc. v. Voip-Pal.com, Inc.*, IPR2016-01198, Paper 70 at 9–10 (PTAB Dec. 21, 2018)

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(Boalick, C.J.) (“[A] sanction should be selected to ensure compliance with the Board’s rules, deter others from such conduct and, if appropriate, render whole the aggrieved party.”). Also, the requested sanctions are consistent with the enumerated sanctions in section 42.12 and bear a reasonable relationship to the violation, including its severity. *See* 37 C.F.R.

§ 42.12(b); *see also Apple Inc.*, IPR2016-01198, Paper 70 at 9 (“In fashioning a sanction for violating the rules, the selected sanction should bear a reasonable relationship to the severity of the violation.”). Petitioner’s requested remedy seeks to re-tether the confidential information to our default Protective Order and restore confidence that any subsequently produced confidential information is adequately protected. For example, by providing the names of those individuals that accessed the protected information and those individuals that signed the acknowledgment for the default Protective Order, Petitioner will be able to assess the breadth of any breach and have confidence that the signers of the acknowledgement will protect any subsequently produced confidential information.

Patent Owner does not suffer any harm in these proceedings from the imposed sanctions, as the requested remedy does not affect any evidence or paper in these proceedings. Also, the public nature of our sanctions serves to deter Patent Owner, and others, from similar conduct, yet is limited to what is necessary to achieve such deterrence.

Also, Patent Owner should not suffer any harm in the Litigation. Our rules specifically provide that “[f]or cross-examination testimony, the scope of the examination is limited to the scope of the direct testimony.” 37 C.F.R. § 42.53(d)(5)(D)(ii). The appropriate scope of cross-examination is defined

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by the direct testimony, in this case, Mr. Sowell's declaration. As such, a question at Mr. Sowell's deposition is properly within the scope of cross-examination if it has sufficient underlying basis in a statement made in his declaration. *Accord Google LLC v. Cywee Group Ltd.*, IPR2018-01257, Paper 60 at 4 (PTAB Aug. 19, 2019) ("That is, a question posed to Mr. Park is properly within scope if it has sufficient underlying basis in a statement made by Mr. Park in his Declaration."). Mr. Sowell provided a brief, four paragraph declaration in these proceedings, covering the ownership of certain entities related to Petitioner and the role (or lack thereof) these entities play in these *inter partes* review proceedings. *See* Exhibit 1036. As such, Mr. Sowell's deposition testimony should be narrowly focused on a specific issue unique to these proceedings before the Board—whether all real parties-in-interest have been identified.⁷

We are also not persuaded that the Motion is frivolous or harassing. First, as we indicate above, we agree with Petitioner that Patent Owner's actions in remedying its breach of the default Protective Order were insufficient to make Petitioner whole. Second, we agree with Petitioner that Patent Owner's actions as a whole demonstrate a disregard of our rules and

⁷ The record indicates that the parties dispute whether Patent Owner exceeded the scope of proper cross-examination, which could support an inference that the protected information was sought to benefit the Litigation. *See, e.g.*, Ex. 1039, 16:7–17:5, 19:1–21:10, 53:9–54:2, 55:3–20, 56:21–58:16 (providing exchanges between the parties' counsels regarding the scope of questioning, including in eliciting redacted, that is, protected, information).

IPR2020-00884 (Patent 9,596,806 B2)
IPR2020-00886 (Patent 9,826,686 B2)
IPR2020-00887 (Patent 9,986,686 B2)
IPR2020-00888 (Patent 10,070,588 B2)

orders, such that imposing sanctions serves to help ensure compliance with the Board's rules going forward, and deter others from such conduct.

We also will not modify the default Protective Order to allow production of the unredacted Sowell deposition transcript in the Litigation at this time, as Patent Owner's request is improper. Our rules provide that, with our prior authorization, a party may request relief through a motion. 37 C.F.R. § 42.20. At this time, Patent Owner has not sought our authorization for a motion to modify the default Protective Order.

For the reasons discussed above, we admonished Patent Owner to comply with all requirements of the default Protective Order covering these proceedings going forward, including the Protective Order's requirement of using protected information obtained in these proceedings only in connection with these proceedings *and for no other purpose*. Also, Patent Owner must withdraw the index of the Sowell deposition transcript from the Litigation document production. Patent Owner must also identify to Petitioner those individuals that had access to or otherwise received either the unredacted Sowell deposition transcript, or the redacted version with the full, unredacted index, and the timing of such access or receipt. Finally, Patent Owner must identify to Petitioner those individuals that signed the acknowledgement in the default Protective Order and when each individual signed.

Nothing needs to be filed with the Board.

IPR2020-00884 (Patent 9,596,806 B2)
IPR2020-00886 (Patent 9,826,686 B2)
IPR2020-00887 (Patent 9,986,686 B2)
IPR2020-00888 (Patent 10,070,588 B2)

ORDER

In consideration of the foregoing, it is hereby:

ORDERED that Patent Owner must comply with all requirements of the default Protective Order covering these proceedings, unless and until we modify the Protective Order, including the Protective Order's requirement of using confidential information only in connection with these proceedings and for no other purpose;

FURTHER ORDERED that Patent Owner must withdraw the index of the Sowell deposition transcript from the Litigation document production no later than five business days from receiving this Order;

FURTHER ORDERED that Patent Owner must identify to Petitioner those individuals that had access to or otherwise received either the unredacted Sowell deposition transcript, or the redacted version of the Sowell deposition transcript with the full, unredacted index, and the timing of such access or receipt, no later than ten business days from receiving this Order; and

FURTHER ORDERED that Patent Owner must identify to Petitioner those individuals that signed the acknowledgement in the default Protective Order and when each individual signed, no later than ten business days from receiving this Order.

IPR2020-00884 (Patent 9,596,806 B2)
IPR2020-00886 (Patent 9,826,686 B2)
IPR2020-00887 (Patent 9,986,686 B2)
IPR2020-00888 (Patent 10,070,588 B2)

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Order Vacated by [Optis Wireless Technology, LLC v. Huawei Device USA, Inc.](#), E.D.Tex., April 3, 2020

421 F.Supp.3d 410
United States District Court,
E.D. Texas, Marshall Division.

OPTIS WIRELESS TECHNOLOGY, LLC,
PanOptis Patent Management, LLC, Optis
Cellular Technology, LLC., Plaintiffs,

v.

HUAWEI DEVICE USA, INC., Huawei
Device (Shenzhen) Co., Ltd., Defendants.

CIVIL ACTION NO. 2:17-CV-00123-JRG

|
Signed 11/15/2019

Synopsis

Background: Following finding by jury that competitor willfully infringed patents related to cellular communications standard, patent owner moved for attorney fees.

[Holding:] The District Court, [Rodney Gilstrap](#), Chief Judge, held that competitor's litigation conduct as a whole in patent infringement action was exceptional, as would warrant award of attorney fees to patent owner.

Motion granted.

Procedural Posture(s): Motion for Attorney's Fees.

West Headnotes (10)

[1] **Patents** 🔑 Exceptional cases in general

An “exceptional case,” as would warrant award of reasonable attorney fees, is simply one that stands out from others with respect to the substantive strength of a party's litigating position or the unreasonable manner in which the case was litigated. [35 U.S.C.A. § 285](#).

[2] **Patents** 🔑 Exceptional cases in general

For purposes of determining whether a case is an “exceptional case” warranting an award of attorney fees, it is not necessary that the litigation conduct at issue be independently sanctionable, e.g., because it involves bad faith or some other misconduct. [35 U.S.C.A. § 285](#).

[3] **Patents** 🔑 Exceptional cases in general

District courts must determine whether any particular case is “exceptional,” as would support an award of attorney fees, in a case-by-case exercise of their discretion, considering the totality of the circumstances. [35 U.S.C.A. § 285](#).

[4] **Patents** 🔑 Exceptional cases in general

Patents 🔑 Evidence

Whether a case is “exceptional” or not, as would support an award of attorney fees, is a factual determination, and the court must make its discretionary determination by a preponderance of the evidence. [35 U.S.C.A. § 285](#).

[5] **Patents** 🔑 Costs and fees

A district court's determination of whether a case is “exceptional,” as would support an award of attorney fees, is reviewed for an abuse of discretion. [35 U.S.C.A. § 285](#).

[6] **Patents** 🔑 Exceptional cases in general

In assessing the totality of the circumstances when determining whether a case was “exceptional,” as would support award of attorney fees, courts may consider factors such as frivolousness, motivation, objective unreasonableness, both in the factual and legal components of the case, and the need in particular circumstances to advance considerations of compensation and deterrence. [35 U.S.C.A. § 285](#).

[7] Patents ➡ **Exceptional cases in general**

While an exceptional case finding is no longer constrained to inequitable conduct before the Patent and Trademark Office (PTO), litigation misconduct, vexatious, unjustified, and otherwise bad faith litigation, a frivolous suit or willful infringement, the absence of such conduct also weighs against an award of fees. 35 U.S.C.A. § 285.

[8] Patents ➡ **Awards to patentees**

Competitor's litigation conduct as a whole in patent infringement action was "exceptional," as would warrant award of attorney fees to patent owner as prevailing party; competitor advanced position that patent owner's declaratory judgment claim should not have been addressed in jury trial, but in a separate bench trial during pretrial hearings, which allowed competitor to position itself to reap full benefits of its affirmative defenses that it complied with license on fair, reasonable, and non-discriminatory terms (FRAND) before jury by arguing that damages sought were inconsistent with FRAND and conduct was not willful because it sought only a FRAND license, and then dropped FRAND defenses just prior to bench trial. 35 U.S.C.A. § 285.

[9] Patents ➡ **Exceptional cases in general**

Delay in withdrawing claims or defenses thereto can support a finding that a case is exceptional in support of an award of attorney fees. 35 U.S.C.A. § 285.

[10] Patents ➡ **In general; utility**

US Patent 6,604,216, US Patent 7,769,238, US Patent 8,208,569, US Patent 8,385,284, US Patent 8,437,293. Cited.

Attorneys and Law Firms

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MEMORANDUM OPINION AND ORDER

RODNEY GILSTRAP, UNITED STATES DISTRICT JUDGE

Before the Court is Plaintiffs Optis Wireless Technology, LLC; PanOptis Patent Management, LLC; and Optis Cellular Technology, LLC's (collectively, "PanOptis") Motion for Exceptional Case Status and Attorney Fees (the "Motion"). (Dkt. No. 376.) Having considered the briefing, case record, and relevant authorities the Court is of the opinion the Motion should be **GRANTED** for the reasons set forth herein.

I. BACKGROUND

PanOptis sued Defendants Huawei Device USA, Inc. and Huawei Device (Shenzhen) Co., Ltd. (collectively, "Huawei") for patent infringement on February 10, 2017. (Dkt. No. 1.) PanOptis alleged that Huawei infringed U.S. Patent Nos. 7,769,238 (the "238 Patent"); 6,604,216 (the "216 Patent"); 8,208,569 (the "569 Patent"); 8,385,284 (the "284 Patent"); and 8,437,293 (the "293 Patent") (collectively, the "Asserted *412 Patents"). The '216, '569, '284, and '293 patents have

been declared “essential” to the LTE cellular communications standard and the ['238 patent](#) overlaps with portions of the H. 264 standard; these patents are known as “Standard Essential Patents” (“SEPs”). (Dkt. No. 325 at 4.)

In its Complaint, 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”). (Dkt. No. 1 ¶ 143.) Huawei raised five FRAND affirmative defenses alleging that PanOptis violated its commitments by failing to offer and grant a license on FRAND terms. (Dkt. No. 70, at 32.) At the urging of Huawei, the PanOptis claims were bifurcated into a jury trial and a bench trial with the declaratory action being relegated to the bench trial. (See Dkt. No. 244 at 22:17–24:17; Dkt. No. 243 at 21.)

Throughout the jury trial, Huawei vigorously asserted its FRAND affirmative defenses arguing that PanOptis had failed to offer a license to its SEPs to Huawei on FRAND terms. (See Dkt. No. 225 at 8.) After jury deliberations began, the Court proceeded to take up the bench trial issues, particularly Count IX. Before the Court began the bench trial, Huawei announced it was dropping its FRAND affirmative defenses. (Dkt. 310 No. at 101:3–5.) Following this announcement, Huawei argued that the Court lacked subject matter jurisdiction over Count IX, and as such, Count IX should be dismissed. (Dkt. No. 280 at 2.) To consider this late-breaking assertion as to a lack of jurisdiction, the Court delayed the bench trial. (Dkt. No. 310 at 111:16–21.)

Ultimately, the jury returned a verdict in favor of PanOptis finding that (1) Huawei infringed each of the asserted claims of the Asserted Patents (the “Asserted Claims”); (2) that the infringement was willful; (3) that none of the Asserted Claims were invalid; and (4) that PanOptis was entitled to damages in the amount of \$10,553,565 as a running royalty. (Dkt. No. 291.)

Over Huawei's objections, the Court held a bench trial on August 27, 2018 as to Count IX. (Dkt. No. 313.) However, in the exercise of its discretion, the Court declined to issue a declaratory judgment finding that the Court was not presented with evidence from which it could adjudicate whether PanOptis had or had not complied with its FRAND obligations. (Dkt. No. 373.) The Court entered final judgment on March 18, 2019 designating PanOptis as the prevailing party. (Dkt. No. 374 at 4.) Additionally, in light of the verdict of willfulness, the Court awarded enhanced the damages by

25 percent. (*Id.* at 6.) PanOptis now moves for a finding of exceptionality and an award of attorneys' fees under [35 U.S.C. § 285](#) (Dkt. No. 376.)

II. LEGAL STANDARD

[1] [2] In “exceptional cases,” a district court “may award reasonable attorney fees to the prevailing party” pursuant to the Patent Act. [35 U.S.C. § 285](#). An “exceptional case” is “simply one that stands out from others with respect to the substantive strength of a party's litigating position ... or the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 134 S. Ct. 1749, 1756, 188 L.Ed.2d 816 (2014); see also *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 134 S. Ct. 1744, 1748, 188 L.Ed.2d 829 (2014) (noting that “the word ‘exceptional’ in § 285 should be interpreted in accordance with its ordinary meaning” (citing *Octane Fitness*, 134 S. Ct. at 1755)). Notably, it is not necessary that the litigation conduct at issue be independently sanctionable, e.g., because it involves bad faith or some other

***413** misconduct. See *id.* at 1756–57 (holding that “a district court may award fees in the rare case in which a party's unreasonable conduct—while not necessarily independently sanctionable—is nonetheless so ‘exceptional’ as to justify an award of fees”).

[3] [4] [5] District courts must determine whether any particular case is “exceptional” in a “case-by-case exercise of their discretion, considering the totality of the circumstances.” *Octane Fitness*, 134 S. Ct. at 1756. Whether a case is “exceptional” or not “is a factual determination,” *Forcillo v. Lemond Fitness, Inc.*, 168 F. App'x 429, 430 (Fed. Cir. 2006), and the court must make its discretionary determination by a “preponderance of the evidence,” *Octane Fitness*, 134 S. Ct. at 1758 (rejecting the prior requirement that a patent litigant establish its entitlement to fees under § 285 by “clear and convincing” evidence). A district court's determination of whether a case is “exceptional” under § 285 is reviewed for an abuse of discretion. See *Highmark Inc.*, 134 S. Ct. at 1748; see also *Checkpoint Sys., Inc. v. All-Tag Sec. S.A.*, 858 F.3d 1371, 1374 (Fed. Cir. 2017) (“On appeal, all aspects of a district court's § 285 determination are reviewed for an abuse of discretion.” (citation omitted)).

[6] In assessing the “totality of the circumstances,” courts may consider factors such as “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation

and deterrence.” *Octane Fitness*, 134 S. Ct. at 1756 n.6 (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.9, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994)) (addressing a similar fee-shifting provision in the Copyright Act). As previously noted, *Octane Fitness* made clear that a party's conduct need not be independently sanctionable to warrant an award of fees under § 285. *Id.* at 1756-57. That said, courts have cautioned that fee awards should not be used “as a penalty for failure to win a patent infringement suit.” See *id.* at 1753 (quotation omitted); see also *Checkpoint Sys., Inc.*, 858 F.3d at 1376.

[7] While an exceptional case finding is no longer constrained to “inequitable conduct before the PTO; litigation misconduct; vexatious, unjustified, and otherwise bad faith litigation; a frivolous suit or willful infringement,” *Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1034 (Fed. Cir. 2002), “the absence of such conduct also weighs against an award” of fees under § 285. *AstraZeneca AB v. Aurobindo Pharma Ltd.*, 232 F. Supp. 3d 636, 649 (D. Del. 2017).

III. DISCUSSION

As noted, section 285 permits the Court to award “reasonable attorney fees to the prevailing party” in “exceptional cases.” As there is no dispute that PanOptis is the prevailing party in this case, (see Dkt. No. 374), the Court proceeds to consider “whether [this] case is ‘exceptional’ in the case-by-case exercise of [its] discretion, considering the totality of the circumstances.” *Octane Fitness*, 134 S. Ct. at 1757.

A. PanOptis Alleges Several Grounds for Exceptional Case Status.

PanOptis moves for attorneys' fees on three grounds: (1) Huawei engaged in litigation conduct where it used timing and delay to its advantage and forced PanOptis to expend unnecessary resources; (2) Huawei's infringement defenses were objectively weak; and (3) the jury's willful infringement finding is an indication that this is an exceptional case. (Dkt. No. 376.)

PanOptis asserts that Huawei intentionally caused waste and delay on several occasions throughout this litigation. (*414 *Id.* at 3.) First, PanOptis argues that Huawei mounted FRAND defenses and continued to assert those defenses through pretrial proceedings, as well as during trial, only to drop those defenses immediately prior to the bench trial on Count IX in a strategic effort to deprive the Court of jurisdiction to

adjudicate the FRAND dispute. (*Id.* at 4; see Dkt. No. 381 at 101:2–11.)

Second, PanOptis argues that Huawei engaged in intentional delay by waiting until the dispositive motion deadline to dismiss the “foreign part” of Count IX.¹ (Dkt. No. 376 at 6.) PanOptis argues that Huawei waited nearly a year after filing its answer before raising the jurisdictional issue. During that time, the parties conducted extensive discovery on FRAND issues. (*Id.* at 7.)

¹ PanOptis' Count IX sought declaratory relief concerning both U.S. and non-U.S. patents. (Dkt. No. 31.) On May 14, 2018, Huawei moved to dismiss Count IX to the extent it encompassed non-U.S. patents on the grounds the Court lacked subject-matter jurisdiction. (Dkt. No. 145.) Huawei argued that 28 U.S.C. §§ 1331, 1338 do not confer federal question jurisdiction over a FRAND dispute over non-U.S. patents. (*Id.* at 3.) The Court did not rule on the jurisdictional issue but ultimately dismissed Count IX as it pertained to non-U.S. patents. (Dkt. No. 246.)

Third, PanOptis argues that Huawei waited until the eve of trial to narrow its patent defenses. (*Id.*) Specifically, Huawei asserted that it had not committed infringement and that all asserted claims were invalid. (*Id.*; see Dkt. No. 39.) However, just before trial, Huawei conceded that it would not contest infringement as to the '239 and the '569 patents, nor would it argue that the '216 and '284 patents were invalid. (Dkt. No. 376 at 7.)

Fourth, PanOptis argues that Huawei caused delay by declining to agree to any representative products or admit that its products complied with the relevant portions of the LTE standard. (*Id.* at 8.) This required PanOptis to prepare separate infringement proof for all 30 accused devices. However, mere days before the end of discovery, Huawei supplemented its responses to PanOptis' request for admissions and admitted that the accused products comply with the LTE standard and function in the same way for purposes of infringement. (*Id.* at 9–10.)

Fifth, PanOptis argues Huawei wasted PanOptis' resources during claim construction by disputing the construction of 26 terms. (*Id.* at 10.) However, after PanOptis addressed all 26 terms in its opening briefing, Huawei dropped its own

proposed construction for a full 50 percent (13 out of 26) of the disputed terms. (Dkt. No. 101.)

Beyond Huawei's litigation conduct, PanOptis also argues that Huawei's defenses were objectively unreasonable. In support of this assertion, PanOptis points to Huawei's "last-minute" withdrawal of forty percent of its counterclaims. (Dkt. No. 376 at 11.) Additionally, the defenses Huawei did choose to present were unanimously rejected by the jury. Finally, PanOptis argues that the jury's finding of willfulness supports the award of attorneys' fees. (*Id.* at 12–13). PanOptis contends that this finding coupled with the totality of the circumstances supports an award of attorneys' fees.

B. Huawei Engaged in Conduct Making this Case Exceptional.

[8] Much of the conduct PanOptis complains of would not give rise to an exceptional case status if considered alone and separately but taken together within the totality of the circumstances this case stands out and is exceptional. Perhaps most egregiously, Huawei's strategic withdrawal of its FRAND affirmative defenses immediately following the jury trial (while *415 the jury deliberated) but immediately prior to the beginning of the bench trial was nothing less than rank gamesmanship that crossed the line of zealous advocacy.

First, Huawei advanced the position that Count IX should not be addressed in the jury trial, but in a separate bench trial during pretrial hearings. (*See* Dkt. No. 244 at 22:17–24:17.) By doing this, Huawei was able to position itself to reap the full benefits of its FRAND affirmative defenses before the jury by arguing that the damages sought by PanOptis were not consistent with FRAND and Huawei's conduct was not willful because it sought only a FRAND license. (*See* Dkt. No. 313 at 193:14–194:8.)

Then, despite having represented to the Court throughout pretrial there was a pressing need for a bench trial on the FRAND issues, Huawei dropped its FRAND defenses just prior to the bench trial. In sum, once Huawei reaped all the benefits of its FRAND-centric defenses during the jury trial, it dropped them like a hot rock and asserted a lack of jurisdiction. (*See id.* at 197:1–19.) This intentional move by Huawei was clearly calculated to divest the Court of jurisdiction to hear the Count IX claim and at the same time deprive PanOptis the opportunity to pursue its declaratory claim that it had complied with its FRAND obligation. This conduct reveals a mindset intent on gaming our legal system for an immediate advantage while at the same time subverting

the very purpose of the courts to pursue justice over the long run.

To compound the egregious nature of this conduct, Huawei would not commit to refraining from this sort of conduct in the future. The Court asked whether this course of conduct would repeat itself in the future, but all Huawei's counsel could say was "I don't know what will happen in the future." (*Id.* at 197:20–198:4.) Furthermore, when the Court probed as to whether this was a planned tactic by Huawei, Huawei's counsel would not disavow that appearance, but merely apologized for not raising the jurisdiction issue earlier. (*Id.* at 199:4–200:10.)

[9] Huawei's staged delay in withdrawing its FRAND affirmative defenses was inequitable and unreasonable. Delay in withdrawing claims (or defenses thereto) can support a finding that a case is exceptional. *See Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 706 F. Supp. 2d 713, 731 (N.D. Tex. Apr. 1, 2010), *modified on other grounds by* 732 F. Supp. 2d 653 (N.D. Tex. 2010). In *Highmark*, the defendant delayed withdrawing an allegation of infringement that was shown to be without support by its own expert. *Id.* The delay was orchestrated to provide leverage in relation to the opposing party's contentions. *Id.* The court found that the maintenance of "meritless" allegations and defenses supported an exceptional case finding. *Id.* at 738. Further, the court noted that the defendant likely misled the court. *Id.*

This conduct is not unlike the current case. The Court concludes that each of the grounds asserted by PanOptis for finding Huawei's conduct at trial exceptional are true. While the Court has elected to explain in particular detail Huawei's conduct concerning the bench trial and withdrawal of its FRAND defenses, it has done so because it views such actions as the worst and most egregious part of Huawei's wide-spread pattern of litigation abuse

IV. CONCLUSION

Based on the foregoing, the Court finds that Huawei's litigation conduct merits a finding of exceptional case status. Accordingly, PanOptis' Motion for Exceptional Case Status and Attorney Fees (Dkt. No. 376) is **GRANTED**. The Court awards PanOptis all its attorneys' fees and expenses incurred herein. Plaintiffs are hereby directed *416 to file an accounting of their recoverable attorneys' fees and expenses to identify the same within the record within 30 days hereof.

So Ordered this Nov. 15, 2019.

All Citations

421 F.Supp.3d 410

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ORTHOPEDIATRICS CORP.,
Petitioner,

v.

K2M, INC.,
Patent Owner.

Case IPR2018-01548
Patent 9,655,664 B2

Before LYNNE H. BROWNE, MICHAEL L. WOODS, and
ROBERT L. KINDER, *Administrative Patent Judges*.

BROWNE, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
35 U.S.C. § 314

I. INTRODUCTION

OrthoPediatrics Corp. (“Petitioner”), on August 21, 2018, filed a Petition to institute *inter partes* review of claims 1, 3, 5, 6, 8–10, 12, and 15–19 of U.S. Patent No. 9,655,664 B2 (“the ’664 patent”). Paper 1 (“Pet.”). K2M, Inc. (“Patent Owner”) filed a Preliminary Response to the Petition on December 12, 2018. Paper 7 (“Prelim. Resp.”).

Under 35 U.S.C. § 314(a), an *inter partes* review may not be instituted unless the Petition “shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” For the reasons stated below, we determine that Petitioner has not established a reasonable likelihood that it would prevail in showing the unpatentability of at least one claim of the ’664 patent. Accordingly, we do not institute an *inter partes* review.

A. Related Proceedings

Petitioner indicates that the ’664 patent is the subject of *K2M, Inc. v. OrthoPediatrics Corp. & OrthoPediatrics US Distribution Corp.*, Case No. 1:17-cv-00061-GMS (D. Del.). Pet. 1. Petitioner further indicates that the ’664 patent is related to U.S. Patent No. 9,532,816 (“the ’816 patent”), which is also the subject of this district court case.

Petitioner concurrently filed two other petitions requesting *inter partes* review challenging claims 1, 3, 5, 6, 8–10, 12, and 15–19 of the ’664 patent. IPR2018-01546; IPR2018-01547.

We note that the ’816 patent is the patent at issue in *inter partes* review proceedings IPR2018-00429 and IPR2018-00521. As the ’664 patent is a divisional of the ’816 patent, these patents share the same

Specification. Accordingly, IPR2018-00429 and IPR2018-00521 are also related proceedings.

B. The '664 Patent

The '664 patent is directed “to devices for stabilizing and fixing the bones and joints of the body.” Ex. 1201, 1:18–19. Particularly, “the present invention relates to a manually operated device capable of reducing a rod into position in a rod receiving notch in the head of a bone screw with a controlled, measured action.” *Id.* at 1:20–22. The device described in the '664 patent achieves this objective by grasping “the head of a bone screw and reduc[ing] a rod into the rod receiving recess of the bone screw using a single manual control that can be activated in a controlled and measured manner.” *Id.* at 2:25–28.

Figure 4 reproduced below illustrates the device:

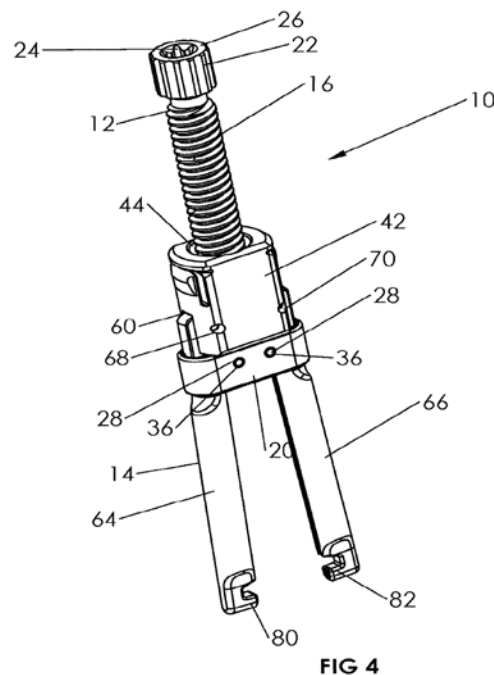


Figure 4 is an isometric view of the rod reducing device with the screw jack mechanism fully retracted and the two elongated grasping members in an open configuration. Ex. 1201, 3:2–32.

The '664 patent explains:

The device . . . is a rod reduction device capable of reducing a rod into position in a rod receiving notch in the head of a bone screw with a controlled, measured action. The device is an elongated rod reduction device 10 that includes a screw jack mechanism 12 moveably engaged with an elongated grasping fork assembly 14. The screwjack mechanism 12 includes an elongated threaded screw shaft 16 that terminates at its most proximal end with a controlling member 18 and terminates at its most distal end with a rod contact member 20.

Id. at 3:65–4:7.

C. Illustrative Claim

Petitioner challenges claims 1, 3, 5, 6, 8–10, 12, and 15–19 of the '664 patent. Claims 1, 8, 12, and 17 are independent. Representative claim 1 is reproduced below:

1. A method of advancing a rod into a housing of a bone anchor comprising:
 - coupling a rod reducing device to a bone anchor, the bone anchor having a rod-receiving housing and a bone engaging shaft extending therefrom, the rod reducing device including:
 - a rotatable member,
 - a rod contact member positioned at a distal end of the rotatable member, and
 - a body including first and second elongated grasping members extending therefrom, each of the first and second elongated grasping members having a screw grasping element, the rotatable member threadably coupled with the body, the first and second elongated grasping members defining a plane, the

rotatable member and the rod contact member movable within the plane;

securing the rod reducing device to the bone anchor by engaging the first and second elongated grasping members with the rod-receiving housing so that the rod receiving housing is disposed between the first and second elongated grasping members; and

rotating the rotatable member thereby causing the rod contact member to move relative to the body within the plane to advance a rod disposed between the first and second elongated grasping members toward the rod-receiving housing.

Ex. 1201, 8:9–35.

D. References Relied Upon

The Petitioner relies on the following references:

Name	Reference	Ex. No.
Trudeau	US 2006/0089651 A1, published Apr. 27, 2006	1217
Justis	US 2007/0213714 A1, published Apr. 13, 2006	1218
Sparker	Des. 346,217, issued Apr. 19, 1994	1219

Pet. 3.

E. The Asserted Grounds of Unpatentability

Petitioner asserts the challenged claims are unpatentable on the following grounds:

Reference(s)	Basis	Claim(s) challenged
Trudeau	§ 102(b)	1, 3, 5, 6, 8–10, 12, and 15–19
Trudeau and Justis	§ 103(a)	9, 15, and 17–19
Sparker and Trudeau	§ 103(a)	1, 3, 5, and 6

Pet. 3. Petitioner supports its challenge with the Declaration of Ottie Pendleton, dated August 21, 2018 (“Pendleton Declaration”) (Ex. 1216).

II. ANALYSIS

Petitioner contends that no “specific claim term[s] of the Challenged Claims require[] construction for the purposes of this petition.” Pet. 4. Whereas, Patent Owner asserts that the ““grasping members” limitation and “extending through the housing” should be construed. Prelim. Resp. at 10–11. In related proceedings IPR2018-00429 and IPR2018-00521, we construed the claim limitation “extending through the housing,” but did not construe the “grasping members” limitation. *OrthoPediatrics Corp. v. K2M, Inc.*, IPR2018-00429, Paper 8, 6; IPR2018-00521, Paper 8, 8 (PTAB June 28, 2018). In those proceedings, we did not construe the “grasping members” limitation because it was not in controversy. *Id.* In this proceeding, similar limitations are at issue and their construction is necessary to resolve the controversy.

A. Petitioner’s claim construction of the limitations reciting grasping members

In the related District Court proceedings, Petitioner urged the District Court to construe “[b]oth ‘grasping members configured to grasp . . .’ and ‘first and second elongated grasping members’ . . . to invoke means-plus-function claiming under pre-AIA 35 U.S.C. § 112, ¶ 6.” Ex. 1209, 5. The District Court agreed and interpreted these limitations as means-plus-function limitations. Ex. 1211, 1. Specifically, the District Court determined the claimed function to be “grasping a portion of the bone anchor” and the structure corresponding to this function to be “grasping members 64, 66; grasping elements 80, 82; and rod contact member 20.” *Id.* These limitations appear in claim 16 and claims 8, 12, and 17, respectively,

of the '816 patent. They are similar to the “grasping members” limitations at issue in this proceeding.

In contrast, after acknowledging that the “grasping members” limitation at issue in this proceeding is “nearly identical to the terms and phrases of the claims challenged in IPR2018-00429 and IPR2018-00521,” Petitioner asserts that “the Board need not and should not construe [these limitations].” Pet. 6 (citing *Vivid Techs., Inc. v. Am. Sci. & Eng’g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999)). Then Petitioner submits that “[i]n essence, this petition is based on the claim constructions urged by Patent Owner in the related district court litigation.” *Id.*

In support of this submission, Petitioner argues that “[a]lthough Petitioner sought narrower claim constructions in the district court proceedings, the Federal Circuit has observed that the broadest reasonable interpretation of a claim term is often broader than the term’s construction under the *Phillips* standard.” Pet. 6 (citing *e.g., Facebook, Inc. v. Pragmatus AV, LLC*, 582 Fed. Appx. 864, 869 (Fed. Cir. 2014)). Petitioner further argues that “as the Board recognizes, ‘[o]ur rules do not require positions consistent with related cases in different fora. Our rules require that the parties identify related matters. Various reasons may justify inconsistencies among fora, including differing legal or evidentiary standards, a change in litigation strategy, or a change in position.’” *Id.* at 5–6 (citing *Caterpillar Inc. v. Wirtgen America, Inc.*, IPR2017-02185, Paper 7, at 11 (PTAB May 3, 2018)) (internal citation omitted).

Petitioner further argues that “[w]ith respect to potential means-plus-function limitations, none of the Challenged Claims contains the word

‘means.’ As such, there is a presumption that none of the Challenged Claims invoke 35 U.S.C. § 112, ¶ 6.” Pet. 6 (citing *Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1348 (Fed. Cir. 2015)). Petitioner states that “Patent Owner has not requested any construction under § 112, ¶ 6, and Petitioner has no reason to believe that Patent Owner will do so for purposes of this petition.” *Id.* Petitioner concludes that “[t]he Board, therefore, need not and should not construe any terms or phrases under § 112, ¶ 6.” *Id.* (citing *Vivid Techs.*, 200 F.3d at 803 (“only those terms need be construed that are in controversy”)).

Upon receipt of Patent Owner’s Preliminary Response, discussed below, which explicitly argues that the claim limitations “first and second elongated grasping members” (claim 1) and “first and second grasping members configured to grasp a portion of the bone anchor therebetween” (claims 8, 12, and 17) should be construed as means-plus-function limitations, Petitioner did not request further briefing with respect to claim construction under § 112, ¶ 6. *See* Prelim. Resp. 11–12.

*B. Patent Owner’s claim construction of the limitations
directed to grasping members*

Patent Owner urges us to adopt the District Court’s claim construction of the limitations directed to grasping members because Petitioner argued for this claim construction in the related District Court litigation. *See* Prelim. Resp. 11–12. Patent Owner summarizes the District Court’s analysis and argues that “[e]ven under the BRI [(broadest reasonable interpretation)] standard, the PTO may not disregard the structure disclosed in the specification corresponding to [means-plus-function] language when

rendering a patentability determination.” *Id.* at 16 (citing *In re Donaldson*, 16 F.3d 1189, 1194–95 (Fed. Cir. 1994) (en banc)).

C. Insufficiency of Petition

In prior related proceedings IPR2018-00429 and IPR2018-00521, construction of similar limitations directed to grasping members was not necessary, because even though Patent Owner proposed claim constructions for those limitations, they were not in controversy. *OrthoPediatrics Corp. v. K2M, Inc.*, IPR2018-00429, Paper 8, 6; IPR2018-00521, Paper 8, 8 (PTAB June 28, 2018). In this proceeding, however, the construction of the limitations directed to grasping members is at issue. *See, e.g.*, Prelim. Resp. 34 (arguing that Whipple does not disclose these limitations). Accordingly, in order to resolve the controversy, we must construe these limitations.

Our Rules specifically require that a petition for *inter partes* review set forth how each challenged claim is to be construed. *See* 37 C.F.R. § 42.104(b)(3). As discussed above, Petitioner’s contentions are limited to how the claim limitations at issue *should not be construed*. *See* Pet. 4–6. Petitioner does not set forth how the limitations directed to grasping members should be construed. Rather, “Petitioner does not believe any specific claim term of the Challenged Claims requires construction for the purposes of this petition and that every claim term should be given its ‘broadest reasonable construction in light of the specification.’” Pet. 4. Alternatively, Petitioner states “that this petition is based on the claim constructions urged by Patent Owner in the related district court litigation.” *Id.* at 5. Petitioner’s positions, however, do not set forth what the broadest

reasonable interpretation of the limitations directed to grasping members is or set forth Patent Owner's position in the related District Court litigation.

"Although" we recognize "there is no *per se* rule against negative constructions, *see Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 314 F.3d 1313, 1329 (Fed. Cir. 2003)," our rules place an affirmative burden on petitioners to "set forth: . . . How the challenged claim is to be construed." *Medicines Co. v. Mylan, Inc.*, 853 F.3d 1296, 1308 (Fed. Cir. 2017); 37 C.F.R. § 42.104(b)(3). This burden continues by requiring petitioners to adequately explain "[h]ow the *construed* claim is unpatentable." 37 C.F.R. § 42.104(b)(4) (emphasis added). As explained below, the Petition fails to identify how the challenged claims are to be construed and applied to the prior art, and Petitioner also takes conflicting positions between this proceeding and the related district court litigation. Specifically, in the related district court litigation, Petitioner advocated that the limitations directed to grasping members be subject to means-plus-function claim construction. Ex. 1211, 1. Given Petitioner's prior factual and legal positions as to these limitations being subject to § 112 ¶ 6, Petitioner should have known that the question of whether or not the limitations directed to grasping members are means-plus-function limitations was likely to be at issue in this proceeding. Accordingly, Petitioner should have either provided reasons why these limitations are not governed by 35 U.S.C. § 112 ¶ 6, or Petitioner should have provided an explicit claim construction as required by our rules. Because of the unique circumstances of this proceeding, where Petitioner advocated for a different claim construction in the related district court litigation, we determine that construction of the

claim terms in dispute is necessary for the resolution of issues before us. Lacking such claim construction, the Petition fails to comply with 37 C.F.R. § 42.104(b)(3).

Petitioner's failure to provide a claim construction is, in this instance, further compounded by the fact that Petitioner takes an inconsistent position before the District Court, and the key limitations at issue have also tentatively been construed by the District Court as requested by Petitioner in that proceeding. As noted by Petitioner, our claim construction has generally been informed by a district court's claim construction, and we will continue to consider decisions of other tribunals construing claim terms at issue. Pet. 6; *see also* "Changes to the Claim Construction Standard for Interpreting Claims in Trials Proceedings Before the Patent Trial and Appeal Board," 83 Fed. Reg. 51,340, 51,355 (Oct. 11, 2018) ("The PTAB will consider prior claim constructions from courts or the ITC, if timely made of record, and give them appropriate weight.") (effective Nov. 13, 2018, for newly filed proceedings). Keeping in mind that Petitioner has the burden to show a reasonable likelihood of prevailing in showing that at least one claim is unpatentable, it is incumbent upon Petitioner to address substantively the District Court's claim construction of a limitation when construction of that limitation is likely to be a focal point of the *inter partes* review proceeding. By failing to reconcile its proffered claim construction here with its very different construction proffered in District Court—which the District Court agreed with—Petitioner fails to satisfy this burden.

III. CONCLUSION

Petitioner does not set forth a claim construction for the limitations directed to grasping members. By failing to set forth such a claim construction, the Petition does not show how the challenged claims are to be construed in accordance with 37 C.F.R. § 42.104(b)(3), and also does not show how, as so construed, they are unpatentable under the statutory grounds identified in the Petition. *See* 37 C.F.R. § 42.104(b)(4).

Accordingly, Petitioner has not established a reasonable likelihood that it would prevail in showing the unpatentability of claims 1, 3, 5, 6, 8–10, 12, and 15–19 of the '664 patent.

IV. ORDER

Accordingly, it is:

ORDERED that the Petition is *denied* as to the challenged claims of the '664 patent; and

FURTHER ORDERED that no *inter partes* review is instituted.

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

PROPPANT EXPRESS INVESTMENTS, LLC,
PROPPANT EXPRESS SOLUTIONS, LLC,
Petitioner,

v.

OREN TECHNOLOGIES, LLC,
Patent Owner.

Case IPR2017-01917
Patent 9,296,518 B2

Before MITCHELL G. WEATHERLY, KEVIN W. CHERRY, and
MICHAEL L. WOODS, *Administrative Patent Judges*.

CHERRY, *Administrative Patent Judge*.

ORDER
Denying Patent Owner's Motion to Terminate
37 C.F.R. §§ 42.5, 42.20

I. INTRODUCTION

Pursuant to our authorization (Paper 46), Patent Owner filed a Motion to Terminate this proceeding. Paper 53 (“Motion to Terminate” or “Mot.”). Petitioner filed an Opposition. Paper 60 (“Opposition” or “Opp.”). Patent Owner argues that Petitioner’s updated real-party-in-interest disclosures require that we must change the filing date of this Petition and therefore terminate the proceeding because this date change would place the Petition outside the one-year period under 35 U.S.C. § 315(b). For the following reasons, we *deny* Patent Owner’s Motion to Terminate.

II. BACKGROUND

On February 16, 2018, we entered a Decision on Institution in this case. *See* Paper 19 (“Institution Decision” or “Inst. Dec.”). In the Institution Decision, we declined to deny institution of the Petition based on Patent Owner’s argument that the Petition failed to name all of the real parties in interest. Inst. Dec. 15–20. In particular, we determined that, on the record before us at institution, the evidence failed to show that Liberty Oilfield Services, LLC (“Liberty”) had controlled or was capable of controlling this proceeding, and therefore, on that record, was not shown to be an unnamed real party in interest. *See id.* at 20.

Patent Owner filed a Patent Owner Response on June 22, 2018. Paper 31 (“Patent Owner Response” or “PO Resp.”). In the Patent Owner Response, Patent Owner continued to argue that this proceeding should be dismissed because Petitioner failed to name all of the real parties in interest. *See* PO Resp. 3–28. However, Patent did not argue that Liberty was the unnamed real party in interest. *See id.* Instead, Patent Owner argued that

Big Box Proppant Investments LLC (“Big Box”), a member of Proppant Express Solutions, LLC, and Proppant Express Investments, LLC, was an unnamed real party in interest. *Id.*

On July 12, 2018, we conducted a teleconference with the parties to discuss Patent Owner’s request to file a motion to terminate for failure to name all of the real parties in interest based on certain deposition testimony from the underlying district court litigation, *SandBox Logistics, LLC v. Proppant Express Investments, LLC*, 4:17-cv-00589 (S.D. Tex). *See* Ex. 2079 (Transcript of July 12, 2018, Teleconference). We denied Patent Owner’s request to file a motion to terminate but granted Patent Owner the opportunity to file a supplement to its Patent Owner Response to address this testimony. *See* Paper 34. On July 9, 2018, the Federal Circuit decided *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336 (Fed. Cir. 2018) (“*AIT*”). In *AIT*, the Federal Circuit held that the Board “relied on an impermissibly narrow understanding of the common-law meaning of the term” real party in interest and explained that “[d]etermining whether a non-party is a ‘real party in interest’ demands a flexible approach that takes into account both the equitable and practical considerations, with an eye toward determining whether the non-party is a clear beneficiary that has a preexisting, established relationship with the petitioner.” *Id.* at 1336. In its Supplemental Patent Owner Response, Patent Owner argued that *AIT*

mandated that both Big Box and Liberty were real parties in interest. *See* Paper 40¹ (“Supplemental Patent Owner Response”).

On September 7, 2018, the Federal Circuit decided *Worlds Inc. v. Bungie, Inc.*, 903 F.3d 1237 (Fed. Cir. 2018), weakening the Board’s presumption that a petitioner’s listing of real parties in interest is correct.

On September 13, 2018, we issued our Decision on Institution in IPR2018-00733 (Ex. 3001, “733 Institution Decision” or “733 Inst. Dec.”). In the 733 Institution Decision, we agreed with Petitioner that even under the new test articulated in *AIT* and the weakened presumption of *Worlds* that Big Box—the sole party that Patent Owner contended, at that time, was an unnamed real party in interest in IPR2018-00733—was not an unnamed real party in interest. 733 Inst. Dec. 17–19. Yet, given the standards articulated in *AIT* and *Worlds*, we noted that Patent Owner had presented evidence that suggested that Liberty may be an unnamed real party in interest. *Id.* at 19–20. However, given that we were raising the argument *sua sponte* and Petitioner had not had an opportunity to respond, we declined to decide the issue. *Id.* at 20. Instead, we authorized Patent Owner to file a motion to terminate and a motion for additional discovery. *Id.* We also offered Petitioner the opportunity to update its Mandatory Notices to name Liberty and/or Big Box as a real party in interest in IPR2018-00733. *Id.*

¹ Patent Owner’s original Supplemental Patent Owner Response was filed on July 31, 2018. However, as we noted in an order on August 10, 2018, the Supplemental Patent Owner Response contained material not authorized in our original order authorizing the Supplemental Patent Owner Response (*see* Paper 39), so Patent Owner filed a corrected Supplemental Patent Owner Response on August 13, 2018.

On September 19, 2018, we had a teleconference with the parties to discuss Petitioner's request to update its Mandatory Notices to name Liberty and Big Box in all of the proceedings between the parties then pending before the Board (IPR2017-01917, IPR2017-01918, IPR2017-02103, IPR2018-00733, and IPR2018-00914). *See* Paper 45 (Transcript of September 19, 2018, Teleconference). We granted Petitioner authorization to file updated Mandatory Notices in all these proceedings on the teleconference. *See* Paper 45, 28:12–25. We also later issued an Order further explaining the reasoning behind our decision to allow Petitioner to file updated Mandatory Notices naming additional real parties in interest. *See* Paper 44 (“Updated Notices Order”). In our Updated Notices Order, we explained that, in view of *AIT* and *Worlds*, updating Petitioner's Mandatory Notices “will serve to narrow the issues in dispute while also ensuring that the proper parties are subject to the estoppel provisions of 35 U.S.C. § 315(e).” Updated Notices Order 4. On September 19, 2018, Petitioner filed Updated Mandatory Notices stating

Petitioners hereby also identify Liberty Oilfield Services, LLC (“Liberty”) and Big Box Proppant Investments LLC (“Big Box”) as real parties-in-interest without admitting that they are in fact real parties-in-interest. Liberty and Big Box have agreed to be bound by 35 U.S.C. § 315(e)'s estoppel provisions to the same extent that Petitioners will be.

Paper 43, 2 (“Updated Mandatory Notices”).

On October 1, 2018, we held an additional teleconference with the parties where Patent Owner requested authorization to file the present Motion to Terminate. *See* Paper 46, Order Authorizing

Motion to Terminate; Ex. 2089 (October 1, 2018, Telephonic Hearing Transcript). It is this motion that we now consider.

III. ANALYSIS

A. Legal Standard

Under 35 U.S.C. § 312, a petition “may only be considered” if the petition “identifies all real parties in interest.” 35 U.S.C. § 312(a)(2). Our rules further specify that a petition will not be accorded a filing date until the petition satisfies various requirements, including identifying all real parties in-interest. 37 C.F.R. §§ 42.106, 42.104, and 42.8(b)(1). However, the Board has held that these requirements are not jurisdictional. *See Lumentum Holdings, Inc. v. Capella Photonics, Inc.*, Case IPR2015-00739, slip op. at 5 (PTAB Mar. 4, 2016) (Paper 38) (precedential). As the Board in *Lumentum* explained, “§ 312(a) sets forth requirements that must be satisfied for the Board to give consideration to a petition, however, a lapse in compliance with those requirements does not deprive the Board of jurisdiction over the proceeding, or preclude the Board from permitting such lapse to be rectified.” *Id.*; *see also Blue Coat Sys., Inc. v. Finjan, Inc.*, Case IPR2016-01444, slip op. at 10 (PTAB July 18, 2017) (Paper 11) (“Evidence [of failure to identify all real parties in interest] is, at best, suggestive of an issue that is not jurisdictional.”). In permitting a petitioner to amend its identification of real parties in interest while maintaining the original filing date, panels of the Board have looked 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. *See Aerospace Communications Holdings Co. v. Armor All/Step Products Co.*, Case IPR2016-00441, slip op. 3 (PTAB June 28, 2016) (Paper 12).

B. Whether we can allow Petitioner to Update its Real-Parties-in-Interest Disclosure After Institution

Patent Owner argues that § 312 and its implementing rules are “clear,” and “must be strictly enforced,” such that the unamended Petition (i.e., the instituted Petition) cannot be considered because it failed to identify Liberty and Big Box as real parties in interest. Mot. 5. Patent Owner contends that “[a]t a minimum, if the newly-amended Petition were to be considered, it must be given a filing date of September 19, 2018, when Petitioners named Liberty and Big Box as RPI. This date, however, is well past the one-year bar under § 315(b).” *Id.*

We disagree with Patent Owner that we cannot allow Petitioner to update its real parties in interest to add allegedly unnamed real parties in interest after institution. The Board may, under 35 U.S.C. § 312(a), accept updated mandatory notices as long as the petition would not have been time-barred under 35 U.S.C. § 315(b) if it had included the real party in interest. As the U.S. Court of Appeals for the Federal Circuit has recognized, it “is incorrect” to “conflate[] ‘real party in interest’ as used in § 312(a)(2) and § 315(b), and claim[] that ‘§ 312(a)(2) is part and parcel of the timeliness inquiry under § 315.’” *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1374 n.9 (Fed. Cir. 2018) (en banc). “For example, if a petition fails to identify all real parties in interest under § 312(a)(2), the Director can, and does, allow the petitioner to add a real party in interest.” *Id.* “In contrast, if

a petition is not filed within a year after a real party in interest, or privy of the petitioner is served with a complaint, it is time-barred by § 315(b), and the petition cannot be rectified and in no event can IPR be instituted.” *Id.*

Here, there is no dispute that, at the time of filing of the Petition for this proceeding, none of the now named real parties in interest was subject to the § 315(b) time bar, i.e., none of them had been served with a complaint more than one year before the filing date of the Petition. Thus, because none of the now named real parties in interest would have been time-barred, we disagree with Patent Owner’s contention that we lack the authority to consider the newly updated mandatory notices without giving the Petition a new filing date. Indeed, many post-*Lumentum* Board decisions indicate that a petition may be corrected after institution of trial to add a real party in interest if warranted without assigning a new filing date to the petition. *See, e.g., ZTE (USA) Inc. v. Fundamental Innovation Sys. Int’l LLC*, Case IPR2018-00425, slip op. at 4–8 (PTAB Feb. 6, 2019) (Paper 34); *T-Mobile USA, Inc. v. Vertical Connection Techs.*, Case IPR2018-01388, slip op. 16–19 (PTAB Jan. 23, 2019) (Paper 14); *Tesco Offshore Services, Inc. v. Weatherford Tech. Holdings, LLC*, Case IPR2018-01308, slip op. at 10–11 (PTAB Dec. 10, 2018) (Paper 19); *Merck Sharp & Dohme Corp. v. Mayne Pharma Int’l Pty Ltd.*, Case IPR2016-01186, slip op. at 3–6 (PTAB Dec. 13, 2017) (Paper 70); *Intel Corp. v. Alacritech, Inc.*, Case IPR2017-01392, slip op. at 23 (PTAB Nov. 30, 2017) (Paper 11); *Axon EP, Inc. v. Derrick Corp.*, Case IPR2016–00642, slip op. at 3 (PTAB Nov. 21, 2016) (Paper 17); *Xactware Solutions, Inc. v. Eagle View Technologies, Inc.*, Case IPR2016-00586, slip op. at 4 (PTAB Nov. 2, 2016) (Paper 19); *see also AIT*, 897 F.3d

at 1364 (Reyna, J., concurring) (“Section 312(a)(2) is akin to a pleading requirement that can be corrected.”). Because we have the authority to allow Petitioner to update its naming of real parties in interest, we turn to considerations outlined above that other panels have considered.

C. Attempts to Circumvent § 315(b) Bar or Estoppel Rules

As we stated above, at the time of the original filing of the Petition, none of the now named real parties in interest was subject to the § 315(b) time bar. There is also no allegation that any of the now named real parties in interest were attempting to evade the estoppel rules in 35 U.S.C. § 315(e) or 37 C.F.R. § 42.73(d). Thus, we determine there has been no showing of attempts to circumvent the § 315(b) time bar or estoppel rules in this proceeding.

D. Prejudice to Patent Owner Caused by the Delay

Patent Owner alleges two distinct types of prejudice from Petitioner’s timing of its updated naming of real parties in interest. Mot. 7–9. First, Patent Owner argues that the delay caused it to devote significant time and resources to briefing the real-party-in-interest issue before the Board. *Id.* at 8. Second, Patent Owner contends that the delay also prejudiced Patent Owner before the district court. *Id.* We determine that Patent Owner’s arguments that it suffered prejudice from the timing of the Updated Mandatory Notices are unpersuasive. Mot. 7–9.

As for the first argument, we note that this issue has been vigorously disputed by the parties and involves a complex factual record, as we detailed in the Institution Decision in this case and in the 733 Institution Decision. *See* Inst. Dec. 15–20; 733 Inst. Dec. 8–21. Indeed, Petitioner prevailed

preliminarily in our Institution Decision, and Patent Owner did not raise the issue of Liberty being a real party in interest (it only initially raised the issue of whether Big Box was a real party in interest) until after *AIT*. See Paper 31 (Patent Owner Response), at 3–28. We also rejected Patent Owner’s argument that Big Box was a real party in interest in the 733 Institution Decision. See 733 Inst. Dec. 19. Thus, we are not persuaded that Petitioner’s arguments were made in bad faith or were meritless. See *Henderson v. Unum Life Ins. Co.*, 736 F. Supp. 100, 107 (D.S.C. 1989) (“Neither of the parties acted in bad faith in this action, as demonstrated by the fact that both were successful in part at various stages of the proceeding.”). In these circumstances, we do not believe that the cost of having to litigate a good faith dispute between the parties is the type of prejudice sufficient to warrant termination. See *Dassault Systemes, SA v. Childress*, 663 F.3d 832, 842 (6th Cir. 2011) (finding that delay and increased costs from having to actually litigate a dispute are not sufficient prejudice under Fed. R. Civ. P. 60); see also *Westlands Water Dist. v. United States*, 100 F.3d 94, 96 (9th Cir. 1996) (“[L]egal prejudice is just that—prejudice to some legal interest, some legal claim, some legal argument. . . . Expenses incurred in the litigation of an action, uncertainty arising from the unresolved dispute, or the threat of future litigation generally do not constitute prejudice as contemplated by [Fed. R. Civ. P.] 41(a)(2).”).

As for Patent Owner’s contention that it suffered prejudice before the district court, we believe there are two distinct deficiencies in that contention. First, the alleged prejudice occurred in another proceeding in another forum involving breach of contract claims that are not before us.

See Aerospace Comm'ns, Paper 12, at 5 (rejecting allegations of prejudice that occurred in other forums). Second, we are not persuaded by Patent Owner's contentions that the real-party-in-interest determination is coextensive with and dispositive of the question of whether Liberty or Petitioner has breached Liberty's contract with SandBox, such that its legal claims suffered as a result. Mot. 1 ("Petitioner refused to admit Liberty is a RPI because to do so would result in Liberty's liability for breach of contract . . ."), 12 ("Petitioners had every incentive to avoid admitting—and avoid a finding—that Liberty is an RPI, because it would obliterate Liberty's efforts to avoid liability for its breach of contract"). Patent Owner provides no persuasive support for this contention that under *AIT*'s test the breach of contract and real-party-in-interest determinations are coextensive, so we decline to speculate about what effect a determination Liberty is a real party in interest would have on the question of breach of contract.

The preliminary injunction determination is also not evidence of prejudice. Patent Owner points to the district court's statement that there was no irreparable harm because, "most importantly," if the Board determined Liberty were a real party in interest, the Board would not institute an *inter partes* review. However, this was not the only basis for the district court's decision. *See* Ex. 2039, 6–7. The district court provided two other reasons for why there was no showing of irreparable harm, and further noted that SandBox had not clearly demonstrated that it would prevail on the merits, and "[a] 'likelihood of success' analysis would not weigh heavily in favor of SandBox." *Id.* at 6 n.5. Thus, again, we conclude that Patent

Owner's allegations of prejudice are merely speculation, not actual prejudice.²

Accordingly, we find no merit to Patent Owner's allegations of prejudice.

E. Bad Faith

Although Patent Owner mentions "bad faith," it provides no specific allegations of facts that demonstrate the alleged "bad faith." To the extent that it contends that its allegations of "gamesmanship" on the part of Petitioner evidence Petitioner's "bad faith," we analyze those allegations in our discussion of "gamesmanship" below.

F. Gamesmanship

1. Timing

Patent Owner contends that Petitioner's timing is evidence of gamesmanship. Mot. 9–11. In particular, Patent Owner argues that if Petitioner could have updated its notices in this way earlier, while maintaining its district court case, there is no justification for it to do so now. *Id.* at 9–10. Patent Owner further submits that the cases cited by Petitioner

² We note that Patent Owner raised the issue of Petitioner's Updated Mandatory Notices with the district court on September 24, 2018. *See* Ex. 2087. Petitioner responded to Patent Owner's letter to the district court. *See* Ex. 2088. Yet neither party provides us any information about if, or in what way, the district court addressed this request. We note that Patent Owner has since notified us that a stipulated judgment has been entered in the district court proceeding. *See* Paper 84. The judgment entered in the district court proceeding states that Patent Owner has stipulated to dismiss the breach of contract claim, which served as the basis for its Preliminary Injunction request, "with prejudice." *See* Ex. 2098 ¶ 5.

all involve pre-institution updating of the mandatory notices, not post-institution. *Id.* at 10–11. Patent Owner argues that Petitioner only updated its disclosures after the 733 Institution Decision indicated that Petitioner might lose on the issue of real parties in interest, and that this “gamesmanship” should not be rewarded. *Id.* at 11. Finally, Patent Owner argues that the *AIT* decision provides no reason to allow Petitioner to update its notices because Petitioner argued that (1) Big Box and Liberty were not real parties in interest under *AIT*, and (2) it was our decision in IPR2018-00733 that actually motivated Petitioner’s action. *Id.* at 14–15.

Petitioner argues that the timing of its filing its updated Notices is not evidence of gamesmanship, but instead an effort to respond to a Board-highlighted change in Federal Circuit law for how to assess real-party-in-interest issues. Opp. 13. Petitioner notes that it had previously prevailed on these issues in the Institution Decision, and that Patent Owner had abandoned the argument that Liberty was a real party in interest in its original Patent Owner Response, and that it only re-raised the issue in its Supplemental Patent Owner Response. *Id.* at 6. Petitioner notes that it acted promptly to add Liberty and Big Box once we raised the issue of Liberty potentially being a real party in interest *sua sponte* in the 733 Institution Decision. *Id.* at 12–13.

We agree with Petitioner that there is no evidence of gamesmanship in its timing of updating its Mandatory Notices. We note that Petitioner had preliminarily prevailed on the issue of whether Liberty was a real party in interest, and that it was not until we entered the 733 Institution Decision that Petitioner was aware that we were reconsidering that decision.

Moreover, *AIT* is not the only recent decision from the Federal Circuit altering the landscape of the law real parties in interest. As we noted above, the Federal Circuit also recently had issued its decision in *Worlds* at the time of Petitioner’s decision to update its Mandatory Notices. As we indicated in our Updated Notices Order, it is the combined effect of *AIT* and *Worlds* that placed these cases on different footing. Updated Notices Order 4.

Furthermore, we note that *AIT* dealt with the factual situation of avoiding the statutory bar under § 315(b). Considering that it was not until the 733 Institution Decision was entered when we *sua sponte* raised the issue of Liberty as a real party in interest, it is understandable that Petitioner might have been uncertain as to whether *AIT* would cause us to revisit our earlier real-party-in-interest decisions in this case. Given these circumstances, we determine that Petitioner’s timing was not the result of gamesmanship, but rather, it was a result of the change in the law caused by *AIT* and *Worlds* and our interpretation of those decisions.

2. *Manner*

Patent Owner also contends that the manner in which Petitioner identified Liberty and Big Box as real parties in interest—“without admitting they are in fact real parties-in-interest”—is evidence of gamesmanship. Mot. 11–14. However, Petitioner is correct that the Board has approved this type of disclosure a number of times. *See, e.g., Intel Corp. v. Hera Wireless S.A.*, Case IPR2018-01372, slip op. (PTAB Jan. 9, 2019) (Paper 23) (allowing Petitioner to update Mandatory Notices “without conceding that they would be determined to be real parties in interest under the governing legal standard”); *Halliburton Energy Serv., Inc. v.*

Schlumberger Tech. Corp., Case IPR2017-01574, slip op. 3–4 (PTAB Oct. 27, 2017). Moreover, we see nothing wrong with this approach as the identification fulfills the key purposes of identifying the real parties in interest—namely, “identifying potential conflicts, and to assure proper application of the statutory estoppel provisions.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012); *see also* *ZTE*, IPR2018-00425, Paper 34, at 6–7 (discussing the “core functions” of the real-party-in-interest requirement).

Patent Owner’s complaint is not that the Updated Mandatory Notices fail to provide the protections of the estoppel provision of § 315(e). Instead Patent Owner complains, in essence, that Petitioner failed to provide a statement that could be readily and easily used in the district court to support its breach of contract claims. Yet the purpose of the real-party-in-interest requirement is not to provide evidence for other tangentially related claims in other forums. Moreover, Patent Owner’s complaint is founded on speculation that a statement by Petitioner that Liberty is a real party in interest would be dispositive to the breach of contract issue, and that the district court would find Petitioner’s disclaimer in its Updated Mandatory Notices to be sufficient to prevent that from happening. We decline to speculate on how the district court would interpret Petitioner’s real party in interest disclosures or what effect they might have had on a breach of contract claim, so we find Patent Owner’s arguments unpersuasive.

Accordingly, because the key purposes of the real-party-in-interest requirement have been accomplished and Patent Owner’s alleged harm is based on speculation of what the district court might have done in response

to the Updated Mandatory Notices, we do not find the manner in which Petitioner updated its Mandatory Notices to be evidence of “gamesmanship.”

IV. CONCLUSION

On the whole, we find it in the interest of justice to allow Petitioner to update its mandatory notices, while maintaining this proceeding’s original filing date. We find that doing so furthers the purpose of 35 U.S.C. § 312(a)(2) and avoids significant prejudice to Petitioner (i.e., dismissal of its Petition), without undue prejudice to Patent Owner.

V. ORDER

It is:

ORDERED that Patent Owner’s Motion to Terminate is *denied*.

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

ROUTE1 INC.,)	
)	
Plaintiff /Counterclaim)	
Defendant,)	
)	
v.	)	Civil Action No. 17-cv-331 (KAJ)
)	REDACTED PUBLIC VERSION
AIRWATCH LLC,)	
)	
Defendant/Counterclaim)	
Plaintiff.)	

MEMORANDUM OPINION

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March 31, 2020
Wilmington, Delaware

s/ Kent A. Jordan

JORDAN, *Circuit Judge sitting by designation.*

This suit by Route1 Inc. (“Route1”) against AirWatch LLC (“AirWatch”) asserted infringement of U.S. Patent No. 7,814,216 (the “’216 patent”). After I construed disputed claim language, I granted summary judgment in favor of AirWatch on the question of infringement. Though I denied summary judgment on AirWatch’s invalidity counterclaim, the parties subsequently agreed to the dismissal of that counterclaim. (D.I. 274.) Presently before me is AirWatch’s motion for attorneys’ fees (D.I. 289), which I will grant in part.

I. BACKGROUND

The parties are well aware of the background of this case, so I recite only those facts relevant to the motion at hand. As I explained in my August 7, 2019 memorandum opinion disposing of the infringement claim, “the technology described in the ’216 patent is directed to a means for remote computing access, ‘enabling peer-to-peer communication’ between a host computer and remote device over a communication network. (’216 Pat. 1:7-10.) The ’216 patent claims a method by which users of ‘remote devices’ can connect to ‘hosts’ through an interfacing component, a ‘controller.’ (’216 Pat. 1:46-56.)” (D.I. 274 at 2-3.)

Relevant to this motion and the motion for summary judgment that I granted is Step 1g, or the “instruction limitation,” of claim 1 of the patent. That limitation states that the controller sends “an instruction from the controller to the selected host, to establish a connection to the remote device.” (’216 Pat. 10:19-20.) From the filing of the

complaint until the motions for summary judgment were filed, Route 1 alleged several different infringement theories. The ones it finally settled on involved a remote-initiated connection to a host computer. (D.I. 274 at 17-18.) In support of those theories, Route1 served an expert report opining that the instruction limitation “may include a host-initiated connection, or a remote-initiated and host-accepted connection.” (D.I. 218-3 ¶ 31.) Because the parties had conflicting views about the construction of the instruction limitation, I heard argument and considered the parties’ briefing on that issue.

Ultimately, I rejected Route1’s proposed construction and concluded that the instruction limitation “encompasses only host-initiated, not remote-initiated connections.” (D.I. 274 at 9.) I based my conclusion on the claim language, the specification, and the prosecution history of the ’216 patent. With respect to the claim language, I said that Route1’s construction “that an instruction sent from the controller to the host somehow instructs the remote to establish the connection, when the remote has received no instruction” was “illogical[.]” (*Id.* at 11.) I then noted language from the specification stating that the “host ... send[s] a handshake to [the] remote” (’216 Pat. 7:5-7), and the “remote ... receives the handshake from [the] host” (’216 Pat. 7:14-15). With respect to the prosecution history, I stated that “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.” (*Id.* at 15.) Based on my construction of the instruction limitation, I granted summary judgment against Route1 because its

theories of infringement relied on remote-initiated, not host-initiated, connections. (*Id.* at 17-18.)

As detailed in my opinion granting summary judgment against Route1, I believe that, particularly by the time claim construction issues were being settled, Route1 had a weak case for infringement, and I am particularly troubled by the contradictory positions Route1 ultimately took at the PTO and before me. Route1 said one thing to secure issuance of the claims and then, later, said the reverse in litigation. Route1 secured patentability by arguing that, “unlike the ’216 parent, [the prior art reference] ‘Kiwimagi teaches that the remote *takes the initiative*[.]’” (*Id.* at 15.) Then, in litigation, Route1 argued the opposite, saying 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.”

II. LEGAL STANDARD

Under § 285 of title 35 of the United States Code, “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” In *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014), the Supreme Court rejected the view that an “exceptional case” finding required that the losing litigant have either engaged in “some material inappropriate conduct related to the matter in litigation” or that “the litigation is brought in subjective bad faith, and ... the litigation is objectively baseless.” 572 U.S. at 550. The Court explained that “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.” *Id.* at 554. The Supreme Court also clarified that the standard of proof to demonstrate that a case is “exceptional” is a preponderance of the evidence. *Id.* at 554, 557.

There are several ways in which litigants have shown that a case is “exceptional[.]” Those ways include:

(1) establishing that the plaintiff failed to conduct an adequate pre-filing investigation or to exercise due diligence before filing suit; (2) showing the plaintiff should have known its claim was meritless and/or lacked substantive strength; (3) evidencing the plaintiff initiated litigation to extract settlements from defendants who want to avoid costly litigation; (4) showing a party proceeded in bad faith; and (5) litigation misconduct.

Bayer CropScience AG v. Dow AgroSciences LLC, No. 12-256(RMB.JS), 2015 WL 108415, at *3 (D. Del. 2015) (citations omitted).

The Federal Circuit has explained that the “purpose behind § 285 is to prevent a party from suffering a ‘gross injustice’” and that “[t]he 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 ... which makes it grossly unjust that the winner ... be left to bear the burden of his own counsel fees.” *Checkpoint Sys., Inc. v. All-Tag Security S.A.*, 858 F.3d 1371, 1376 (Fed. Cir. 2017) (alterations and quotations omitted). A court should not award fees “as a penalty for failure to win a patent infringement suit.” *Octane Fitness*, 572 U.S. at 549.

III. DISCUSSION

In light of the totality of the circumstances, Route1's conduct over the final course of this case qualifies, in my judgment, as exceptional.

First, Route1's proposed construction of the instruction limitation was contradicted by the claim language and specification of the instruction limitation. Although "a strong or even correct litigation position is not the standard by which we assess exceptionality," *Stone Basket Innovations, LLC v. Cook Med. LLC*, 892 F.3d 1175, 1180 (Fed. Cir. 2018), Route1's construction was more than just weak. It was illogical, as I described in my order on granting summary judgment against Route1. (D.I. 274 at 11.)

Although that illogical claim construction might be insufficient alone to establish that this is an exceptional case, what does tip Route1's case into the exceptional category is the contradictory positions it took before the PTO in prosecution and then before me in litigation. As explained in the summary judgment opinion, Route1 secured patentability by arguing that, "unlike the '216 parent, [the prior art reference] 'Kiwimagi teaches that the remote *takes the initiative*[".]'" (*Id.* at 15.) Then, in litigation, Route1 made the "remarkable argument" 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." (*Id.* at 14-15 (internal quotation marks and citations omitted).) Litigants should be deterred from arguing one thing to secure issuance of the claims and then turning around and arguing a position clearly to

the contrary in litigation. Accordingly, when reviewing the totality of the circumstances in this case, I am persuaded that this case warrants the label “exceptional.”

Route1 also argues that AirWatch’s fee request is unsupported because (1) AirWatch relies on surveys to establish the reasonableness of its attorneys’ rates, and (2) AirWatch submitted fully redacted time entries. Although I disagree as to the first point, I agree as to the second and so will reserve decision as to the amount to be awarded.

Route1 argues that AirWatch has not established that its attorneys’ rates are reasonable. AirWatch relies on the 2019 American Intellectual Property Law Association Economic Survey Report (“AIPLA Report”) and the Valeo 2018 IP Litigation Hourly Report (“Valeo Report”) to demonstrate that its attorneys’ rates were reasonable. Reliance on those surveys has been held to be an appropriate way to demonstrate that the attorneys’ rates “are in line with those prevailing in the community for similar services of lawyers of reasonably comparable skill and reputation.” *View Eng’g, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981, 987 (Fed. Cir. 2000). The AIPLA Report provides that, for partners in the “Other East” region, which includes Delaware, the median rate is \$461 and the 90th percentile is \$691; for firms with more than 150 intellectual property lawyers and agents, the median rate for partners is \$467 and the 75th percentile is \$768. As for associates, the AIPLA Report provides that in the “Other East” region, the median rate is \$300 and the 75th percentile is \$343. The Valeo Report provides rates for the AmLaw 50 firms with intellectual property practices. According to that report, the 2018 hourly rate was \$1,145 for senior partners, \$979 for partners, \$905 for counsel, \$729 for senior associates, and \$642 for associates.

As to the rates charged by Morrison & Forester, I find that the rates charged by partners are reasonable, whereas the rates charged by associates are not. Morrison & Forester charged [REDACTED] in 2018 and [REDACTED] in 2019. That is a reasonable rate [REDACTED] based on the AIPLA Report and the Valeo Report. As for the associates at that firm, an hourly rate of \$500 is more reasonable in this district. I find that the paralegal rates are reasonable.

As to the rates charged by [REDACTED], I find the rates unreasonable for this district. I find that a rate of \$691 for partners, the high end of the AIPLA Report, is reasonable. And again, an hourly rate for associates at that firm of \$500 is reasonable in this district.

I find that the rates charged by Young Conway are reasonable. The Young Conway partner charged a rate of [REDACTED] from April 2017 to April 2019 and a rate of [REDACTED] from April 2019 to August 2019. The Young Conway associate charged a rate of [REDACTED] from April 2017 to August 2019 and a rate of [REDACTED] since August 2019.

Route1 objected that to the documentation AirWatch submitted in support of its request for attorneys' fees. In support of its motion, AirWatch filed attorney declarations explaining the timekeepers for whom AirWatch seeks to recover fees and their roles in the case. Attached to the declarations are copies of the invoices that include the date, the timekeeper, the hours billed, and the amount billed, but the services performed are redacted. AirWatch offered to submit unredacted copies of the invoices for *in camera* review by the Court upon request. That is insufficient to demonstrate that the requested fees are reasonable. Route1 should be given an opportunity to appraise the

reasonableness of the amount of fees AirWatch requests and present the Court with any legitimate objections to AirWatch's fee request. In order to afford Route1 that opportunity, AirWatch shall turn over to Route1 billing statements that contain sufficient information for Route1 to determine if it has any objections to AirWatch's fee request. AirWatch must submit documentation in support of its request within 14 days, with Route1 having 14 days to comment thereon, and I will then determine whether the fees requested are reasonable and to what extent they should be awarded. The burden of proof is, of course, on those seeking fees.

IV. CONCLUSION

For the foregoing reasons, AirWatch's motion for attorneys' fees (D.I. 289) is granted in part. I reserve decision, however, on the amount of fees to be awarded.

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

RPX CORPORATION,
Petitioner,

v.

APPLICATIONS IN INTERNET TIME, LLC,
Patent Owner.

Case IPR2015-01750
Patent 8,484,111 B2

Case IPR2015-01751
Case IPR2015-01752
Patent 7,356,482 B2¹

Before LYNNE E. PETTIGREW, MITCHELL G. WEATHERLY, and
JENNIFER MEYER CHAGNON, *Administrative Patent Judges*.

CHAGNON, *Administrative Patent Judge*.

ORDER
Petitioner's Motion for Sanctions
37 C.F.R. §§ 42.5, 42.12

¹ This order addresses issues common to all cases; therefore, we issue a single order to be entered in each case.

I. INTRODUCTION

As authorized by the Board in an order mailed December 4, 2015 (Paper 23²), Petitioner, RPX Corporation (“RPX”), filed a Motion for Sanctions against Patent Owner, Applications In Internet Time, LLC (“AIT”). Paper 34 (“Mot.”); Paper 32 (redacted version). RPX requested authorization to file the Motion because of alleged violations of the Protective Order. *See* Paper 23, 3–4. AIT filed an Opposition to RPX’s Motion. Paper 40 (“Opp.”); Paper 48 (redacted version). For the reasons set forth below, RPX’s Motion is *granted-in-part*.

II. ANALYSIS

The “Board may impose a sanction against a party for misconduct.” 37 C.F.R. § 42.12(a); *see* 35 U.S.C. § 316(a)(6). The Rules of Trial Practice provide for various sanctions, as set forth in 37 C.F.R. § 42.12(b). As the party offering the Motion, the burden is on RPX to persuade the Board that sanctions are warranted. *See* 37 C.F.R. § 42.20(c). In general, a motion for sanctions should address three factors: (i) whether a party has performed conduct that warrants sanctions; (ii) whether the moving party has suffered harm from that conduct; and (iii) whether the sanctions requested are proportionate to the harm suffered by the moving party. *See Square, Inc. v. Think Comput. Corp.*, Case CBM2014-00159, slip op. at 2 (PTAB Nov. 27, 2015) (Paper 48) (citing *Ecclesiastes 9:10-11-12, Inc. v. LMC Holding Co.*, 497 F.3d 1135, 1143 (10th Cir. 2007)). In considering RPX’s motion, we address each of these factors in turn.

² The relevant papers filed in each of the three cases are identical. Citations are to the papers filed in IPR2015-01750 for convenience.

A. AIT's Conduct Is a Breach of the Protective Order

RPX asserts that AIT “repeatedly breached its agreement to comply with the default protective order (PO).” Mot. 1. We note that, although a protective order had not yet been entered in these proceedings at the time of the alleged violation thereof by AIT, *see* Opp. 1, the parties were operating with the understanding that the Standing Default Protective Order set forth in the Trial Practice Guide applied to these proceedings. *See* Paper 23, 3 n.3; Ex. 1027 (email dated October 29, 2015, attaching acknowledgement of Default Protective Order signed by AIT’s counsel-of-record, Mr. Steven C. Sereboff³).

RPX asserts that when counsel reviewed AIT’s Preliminary Response filed in IPR2015-01750 on November 27, 2015, “it learned for the first time that its confidential information had been shared with Messrs. Sturgeon, Boebel and Knuettel.” Mot. 2; *see* Papers 14–16 (acknowledgments of the protective order signed by Messrs. Sturgeon, Boebel, and Knuettel, filed with AIT’s Preliminary Response). At that time, RPX asked AIT, via email, to identify for each of Messrs. Sturgeon, Boebel, and Knuettel which provision of §§ 2(A)–2(G) of the default Protective Order authorized access to RPX’s confidential information. Mot. 3 (citing Ex. 1031 (email dated Nov. 28, 2015, from Mr. Richard F. Giunta)). In response, AIT asserted that (i) Mr. Sturgeon is president of AIT and, as such, qualifies as a “party” under the Protective Order, (ii) Mr. Boebel is AIT’s counsel in the district

³ Mr. Sereboff has since withdrawn as counsel in these proceedings. *See* Paper 25 (motion to withdraw and substitute counsel); Paper 43 (granting motion).

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court litigation involving the challenged patents,⁴ and (iii) Mr. Knuettel is “an advisor to AIT regarding the IPRs.” *See id.* (citing Ex. 1033 (email dated Nov. 29, 2015, from Mr. Sereboff)). We understand AIT’s position to be that Mr. Sturgeon falls under § 2(A) of the Protective Order (which covers “Parties”) and that Messrs. Boebel and Knuettel fall under § 2(E) of the Protective Order (which covers “Other Employees of a Party”). *See id.* (citing Ex. 1033); *see also* Opp. 11 (stating “[i]n hindsight, Patent Owner should have asked Petitioner in advance about the 2(e) parties”).

AIT argues that a Motion for Sanctions is premature because no protective order had been entered and no motion to seal had been granted.⁵ Opp. 1. As noted by a previous panel of the Board, “[t]he need to promote respect for, and meticulous observance of protective orders, and to deter others from similar conduct remains an important objective.” *Intri-Plex Techs., Inc. v. Saint-Gobain Performance Plastics Rencol Ltd.*, Case IPR2014-00309, slip op. at 6 (PTAB Mar. 30, 2015) (Paper 84) (citing *Lunareye, Inc. v. Gordon Howard Assocs., Inc.*, No. 9-13-CV-91, 2015 WL 680452, at *3 (E.D. Tex. Feb. 2, 2015)). “Complete good faith compliance with protective orders is essential to modern discovery practices and counsel must temper their zeal in representing their clients with their overreaching duty as officers of the court.” *Id.* (quoting *Lunareye*, 2015 WL 680452, at *3). We are not persuaded by AIT’s argument that any conduct constituting a breach of the Protective Order should be excused simply

⁴ *Applications in Internet Time LLC v. Salesforce.com, Inc.*, No. 3:13-cv-00628 (D. Nev.) (“Salesforce litigation”).

⁵ Since the filing of AIT’s Opposition, the Default Protective Order was entered in these proceedings. Paper 50; Exhibit 1017. Each of the pending Motions to Seal also has since been decided. *See* Paper 53.

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because the Protective Order had not yet been entered, particularly because the parties were operating with the understanding that a Protective Order was in place. *See* Paper 23, 3 n.3; Ex. 1027.

AIT also argues that the “purported confidential information does not merit a confidential designation.” Opp. 9–11. We already considered this argument in our decision on the Motions to Seal, and determined that the information at issue was properly labeled as confidential. *See* Paper 53. Further, at the time of the disclosure, the information at issue was designated as confidential by RPX under the Protective Order. AIT had an obligation under the Protective Order to keep the information confidential, even if it disagreed with its designation as such.

There is no dispute that at least some of RPX’s confidential information was shared with Messrs. Sturgeon, Boebel, and Knuettel. *See* Mot. 2 (citing Ex. 1031), 6 (citing Ex. 1040; Ex. 1041), 7–9 (citing Ex. 1039; Ex. 1040); Opp. 2–4, 11–12; Paper 23. The question remains whether such disclosure was a violation of the Protective Order. Mr. Boebel is AIT’s counsel in the Salesforce litigation, to which RPX is not a party. Mot. 8 (citing Ex. 1044). Mr. Knuettel is the CFO of Marathon Patents (“the #3 [non-practicing entity ‘NPE’] by volume in 2014”). Mot. 8 (citing Ex. 1045). Thus, Messrs. Boebel and Knuettel do not fall under any category set forth in § 2 of the Protective Order other than § 2(E), which covers “[e]mployees, consultants or other persons performing work for a party, other than in-house counsel and in-house counsel’s support staff.” Ex. 1017 § 2(E). Section 2(E) further states that such persons “shall be extended access to confidential information *only upon agreement of the parties or by order of the Board.*” *Id.* (emphasis added). AIT did not

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receive such agreement or order before disclosing information designated as confidential with Messrs. Boebel and Knuettel. Mot. 3–4, 7–8. Those disclosures, therefore, violated § 2(E) of the Protective Order. *See id.*

There is a dispute as to whether Mr. Sturgeon, as the president of AIT, falls under § 2(A) of the Protective Order, which allows disclosure to “Parties,” or under § 2(E). *See* Mot. 8–9; Opp. 3–4. Because this Order revises the Protective Order in these proceedings (details discussed below), we decline to interpret § 2(A) of the default Protective Order on the question of whether Mr. Sturgeon, as the President of AIT, falls within the scope of a “Party” under § 2(A) of the Board’s default Protective Order.

In its Motion, RPX asserts other breaches of the Protective Order and our rules, including, among other things, withdrawing counsel in violation of 37 C.F.R. § 42.10, failing to comply with its service obligations, and requesting sanctions in its Preliminary Response in violation of 37 C.F.R. § 42.20(b). Mot. 13. We have considered this additional information in rendering this decision, and in determining the appropriate sanctions, as part of a pattern of conduct of AIT’s counsel surrounding the improper disclosure of RPX’s confidential information.

B. Harm to RPX

According to RPX, its “core business deals with NPE litigation.” Mot. 8. RPX further asserts that “[d]isclosure to [Messrs.] Boebel and Knuettel was egregious given their regular involvement in NPE litigations. Boebel is AIT’s counsel in the Salesforce litigation and often represents NPEs in litigation, while Knuettel is the CFO of Marathon Patents, the #3 NPE by volume in 2014 (over 100 litigations filed), with expertise in financing litigations.” *Id.* (citing Ex. 1044–1045; Ex. 1049, 30). RPX

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further asserts that it “never would have consented to these disclosures,” *id.*, and that, given their involvement in NPE litigations, Messrs. Boebel and Knuettel could improperly use this information to cause harm to RPX’s business, *id.* at 11, 15. RPX alleges also that it has been “harmed by the time and expense incurred in addressing the breaches.” *Id.* at 12.

AIT argues that RPX has suffered no harm. *See* Opp. 2, 8. According to AIT, “Petitioner does not allege any financial or competitive damage. Nor does Petitioner allege that Salesforce suffered any harm.” *Id.* at 8.

Based on the facts presented in this case, we are persuaded that RPX has suffered harm, at least in the disclosure of its confidential information to Messrs. Boebel and Knuettel, who are neither employees of AIT, nor involved in these *inter partes* review proceedings. Further, both Messrs. Boebel and Knuettel work on behalf of NPEs, and RPX’s “core business” involves assisting its clients in defending themselves against assertions of patent rights by NPEs. Mot. 8. We also are persuaded that RPX has suffered harm to the extent that it had to expend time and money enforcing clear terms of the Protective Order that AIT should have been following without RPX’s efforts.

C. RPX’s Requested Sanctions

RPX “seeks sanctions to (1) compel AIT to identify the scope of the breach; (2) protect RPX’s confidential information going forward; and (3) compensate RPX for significant expense incurred in addressing AIT’s violations.” Mot. 1; *see id.* at 14. In particular, RPX seeks (1) declarations from Messrs. Sturgeon, Boebel, and Knuettel more clearly identifying the scope of the breach; (2) entry of a revised protective order; and

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(3) attorneys' fees incurred in connection with the breach. *Id.* at 14–15.
We address each of these proposed sanctions in turn.

1. Declarations

We previously ordered AIT to provide declarations from Messrs. Boebel and Knuettel “regarding the specific extent of Petitioner’s confidential information to which they were provided access.” Paper 23, 5. AIT provided declarations (Ex. 1040; Ex. 1041); RPX, however, asserts that they are “deficient,” Mot. 9, and that “[t]he scope of the breaches remains unclear because AIT failed to provide the information necessary to comply with the Board’s Order,” *id.* at 1 (citing Paper 23).

According to RPX, the provided declarations are ambiguous as to the scope of the disclosure, and in particular “fail to identify the specific RPX confidential information provided to these individuals.” *Id.* at 9–10. RPX further argues that “Counsel’s representation [as to the scope of disclosure] is not what the Board ordered.” *Id.* at 10. RPX further asserts that, while RPX originally requested declarations only from Messrs. Boebel and Knuettel, based on representations made in Mr. Boebel’s declaration, RPX now also seeks a declaration regarding the extent of disclosure to Mr. Sturgeon. *Id.* at 8–10.

RPX, therefore, requests we require AIT to “provide declarations from all three unauthorized individuals (Boebel, Knuettel and Sturgeon) that provide complete and unqualified explanations of all RPX confidential information they were exposed to via any means (documents, oral or otherwise), swear that the declarant has destroyed that information and any

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copies, explain any uses of that information to date, and swear to not use it for any purpose going forward.”⁶ *Id.* at 14.

AIT asserts that additional declarations are unnecessary because the “declarants [Messrs. Boebel and Knuettel] unequivocally confirmed that they saw *only* a draft of the Patent Owner’s Preliminary Response (‘POPR’),” with one declarant, Mr. Boebel, “separately confirming he saw a .pdf ‘timeline.’” Opp. 2 (citing Ex. 1040 ¶¶ 4–9; Ex. 1041 ¶¶ 4–7; Ex. 2027, 2 (¶ 1)) & n.2 (citing Ex. 1040 ¶ 4). AIT further argues that “had either individual received access to any other confidential information, one or both would have so declared,” *id.* (citing Ex. 2027, 1 (¶ 1)), and that “Patent Owner unequivocally confirmed to Petitioner that for all ‘information identified by Petitioner as confidential, the same information appears in the POPR as filed,’” *id.* (citing Ex. 2027, 2 (¶ 2)).

We agree with RPX that the declarations are somewhat ambiguous and should be more specific as to the complete scope of the access to RPX’s confidential information by each individual. We determine additional declarations are necessary, both to clarify the scope of the disclosure of RPX’s confidential information and to comply with our prior Order (Paper 23) that AIT provide *declarations*, rather than statements of counsel in email or other papers filed with the Board. Accordingly, AIT shall

⁶ While we recognize that this is not one of the specific types of sanctions authorized under 37 C.F.R. § 42.12(b), we nonetheless exercise our discretion and consider RPX’s motion. *See* 37 C.F.R. § 42.5.

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provide amended declarations from Messrs. Boebel and Knuettel, as well as a declaration from Mr. Sturgeon.⁷

Each declaration must include an express statement that the confidential information described in the declaration was, in fact, the only confidential information to which the individual was exposed *by any means* (documents, oral, or otherwise), *at any time*. If necessary, the previous declarations also must be updated to include any additional confidential materials and/or information to which the declarant was provided access by any means. We further determine that based on the particular circumstances of these proceedings, each of the declarants shall certify that the declarant has destroyed any physical record of that information and any copies, explain any uses of that information to date, and agree to not use it for any purpose going forward. Accordingly, AIT shall provide declarations that meet these requirements.

We agree with RPX's assertion that "Counsel's representation [as to the scope of disclosure] is not what the Board ordered." Mot. 10. While we assume the statements of AIT's counsel regarding the scope of access of RPX's confidential information are accurate, *see* 37 C.F.R. § 42.11 (setting forth duty of candor and good faith during a proceeding); 37 C.F.R. § 11.303 (requiring "candor toward the tribunal"), our prior Order (Paper 23) required AIT to provide *declarations* from Messrs. Boebel and Knuettel regarding the precise scope of the information that they received. To the extent

⁷ Although our prior order did not require a declaration from Mr. Sturgeon, and we do not determine in this decision whether the disclosures to Mr. Sturgeon were a violation of the Protective Order, we nonetheless determine that a declaration from Mr. Sturgeon regarding the scope of confidential information to which he was exposed also is warranted.

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Messrs. Boebel and Knuettel do not have appropriate information to do so, AIT's counsel will provide a declaration attesting that for all information identified by RPX as confidential that was included in the Preliminary Response, *only* the same information appeared in the draft version of the Preliminary Response reviewed by Messrs. Boebel and Knuettel. *See* Opp. 3 (arguing Messrs. Boebel and Knuettel did not see a final version of the Preliminary Response, and thus cannot attest to the contents thereof).

For the reasons discussed, RPX's request for declarations from Messrs. Sturgeon, Boebel, and Knuettel is granted.

2. *Revised Protective Order*

RPX requests entry of a revised protective order. Mot. 14–15; *see* Ex. 1047 (proposed Revised Protective Order); Ex. 1048 (redline version). According to RPX, the “amended [Protective Order] imposes reasonable safeguards in view of AIT's actions to date.” Mot. 15. AIT argues that RPX's proposal for a Revised Protective Order is “unworkable.” *See* Opp. 6–8. Based on the circumstances in these proceedings, we are not persuaded the changes set forth in RPX's proposed revised Protective Order are necessary to prevent further disclosure of RPX's confidential information going forward in these proceedings. For example, we are not persuaded that RPX has provided sufficient reasons to warrant the extensive changes to § 2 of the Protective Order. Further, we agree with AIT that proposed § 4(A)(iii) adds unnecessary additional steps to the process for AIT's filings. *See* Opp. 8.

We do, however, remind the parties of the importance of strict compliance with the Protective Order in these proceedings. In particular, confidential information must not be shared with any individuals outside of

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those included in the categories set forth in §§ 2A–2G of the Protective Order. In particular, the parties must comply with § 2(E) of the Protective Order, and obtain the required agreement or a Board order *prior to* disclosure of confidential information to any persons described in § 2(E).

Additionally, out of an abundance of caution and given AIT’s previous disregard of its obligations under the Protective Order, going forward in these proceedings we expressly exclude corporate officers from § 2(A) of the Protective Order. Specifically, § 2(A) of the Protective Order is revised to read as follows:

(A) *Parties*. Persons who are owners of a patent involved in the proceeding and other persons who are named parties to the proceeding. If said persons are a corporate entity rather than an individual, this section does not include corporate officers of the party, unless the corporate officer is also an owner of the involved patent or a named party.

Also, § 2(E) of the Protective Order is revised to read as follows:

(E) *Other Employees of a Party*. Corporate officers, employees, consultants or other persons performing work for a party, other than in-house counsel and in-house counsel’s support staff, who sign the Acknowledgement shall be extended access to confidential information only upon agreement of the parties or by order of the Board upon a motion brought by the party seeking to disclose confidential information to that person. The party opposing disclosure to that person shall have the burden of proving that such person should be restricted from access to confidential information.

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As such, in these proceedings, the parties and their counsel shall not disclose any confidential information to any corporate officers or other employees,⁸ consultants, or agents without the express written permission of the party whose confidential information is at issue or further order of the Board.

We further remind the parties of the instructions regarding the treatment of confidential information previously set forth in our Case Management and Scheduling Order. *See* Paper 52, 2–3. In particular, the parties are reminded that *any information that is designated as confidential by either party* must be filed using the appropriate availability indicator in PRPS (e.g., “Board and Parties Only”), regardless of whose confidential information it is. The parties are further reminded that it is the responsibility of the party whose confidential information is at issue, not necessarily the proffering party, to file a motion to seal (including, if applicable, a proposed redacted version of the document to be sealed), unless the party whose confidential information is at issue is not a party to this proceeding. Any dispute as to the confidentiality of the information may be brought to the attention of the Board after a motion to seal such information has been filed.

For the reasons discussed, RPX’s request for entry of a revised Protective Order is denied, but we nevertheless enter a revised Protective Order as set forth in Exhibit 3001.

3. *Attorneys’ Fees*

RPX “requests an award of attorneys’ fees, incurred after [a particular date], in connection with the breaches, including fees for preparing this

⁸ Here, “other employees” does not include in-house counsel of a party, who are separately authorized to access confidential information under § 2(D) of the Protective Order.

motion.” Mot. 15. RPX asserts that the “requested attorneys’ fees only cover work after AIT’s inexcusable [breach] after it had been fully apprised of the previous breaches. RPX remains uncompensated for counsel’s work . . . in dealing with the initial breach, RPX’s own time and effort and any and all harm to its client relationships and its business.” *Id.* AIT does not present any specific argument against attorneys’ fees, other than the arguments against sanctions generally, already discussed above.

Based on the information provided in RPX’s Motion and AIT’s Opposition, and given the circumstances of these proceedings, we determine that an award of attorneys’ fees may be appropriate. The parties shall submit additional briefing on the extent of attorneys’ fees requested. In particular, RPX, if it still wishes to pursue attorneys’ fees, is authorized to file a Motion for Attorneys’ Fees that includes specific information as to the total amount of fees requested, details regarding the tasks performed underlying those fees, and reasons why the amount of those fees are reasonable. Any privileged information may be redacted from billing information submitted with the Motion. RPX’s Motion for Attorneys’ Fees, shall be limited to five (5) pages,⁹ in accordance with the instructions provided. Any Motion must be filed no later than fourteen (14) calendar days after the entry date of this Order. Further, AIT is authorized to file an Opposition, limited to five (5) pages, to be filed no later than fourteen (14) calendar days after the date on which RPX files its Motion. We note that we have not yet determined the extent to which attorneys’ fees will be granted, but merely are authorizing briefing on the issue.

⁹ Any detailed billing statements may be filed as exhibits to the Motion, and excluded from the page limit.

III. ORDER

Accordingly, it is

ORDERED that RPX's Motion for Sanctions is *granted-in-part*;

FURTHER ORDERED that AIT will provide RPX with amended declarations from Messrs. Boebel and Knuettel, as set forth above;

FURTHER ORDERED that AIT will provide RPX with a declaration from Mr. Sturgeon, as set forth above;

FURTHER ORDERED that, if necessary to comply with the instructions set forth above, AIT will provide a declaration of counsel attesting that, for all information identified by RPX as confidential that was included in the Preliminary Response, only the same information appeared in the draft version of the Preliminary Response reviewed by Messrs. Boebel and Knuettel;

FURTHER ORDERED that each of the ordered declarations shall be provided no later than fourteen (14) calendar days after the entry date of this Order;

FURTHER ORDERED that RPX's motion for entry of a revised Protective Order is *denied*;

FURTHER ORDERED that a revised Protective Order, Exhibit 3001, is hereby entered and shall to govern the conduct of each of these proceedings unless otherwise modified. Any persons accessing confidential information in these proceedings shall execute the acknowledgement of the revised Protective Order;

FURTHER ORDERED that RPX is authorized to file a Motion for Attorneys' Fees, in accordance with our instructions herein. Any such

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Motion must be filed no later than fourteen (14) calendar days after the entry date of this Order, and limited to five (5) pages; and

FURTHER ORDERED that AIT is authorized to file an Opposition to RPX's Motion for Attorneys' Fees. Any Opposition must be filed no later than fourteen (14) calendar days after the date on which RPX files its Motion, and limited to five (5) pages.

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REGULATIONS

Code of Federal Regulations

Title 37. Patents, Trademarks, and Copyrights

Chapter I. United States Patent and Trademark Office, Department of Commerce (Refs & Annos)

Subchapter A. General

Patents

Part 1. Rules of Practice in Patent Cases (Refs & Annos)

Subpart B. National Processing Provisions

the Application

37 C.F.R. § 1.56

§ 1.56 Duty to disclose information material to patentability.

Effective: September 16, 2012

[Currentness](#)

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim that is cancelled or withdrawn from consideration need not be submitted if the information is not material to the patentability of any claim remaining under consideration in the application. There is no duty to submit information which is not material to the patentability of any existing claim. The duty to disclose all information known to be material to patentability is deemed to be satisfied if all information known to be material to patentability of any claim issued in a patent was cited by the Office or submitted to the Office in the manner prescribed by §§ 1.97(b)–(d) and 1.98. However, no patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct. The Office encourages applicants to carefully examine:

(1) Prior art cited in search reports of a foreign patent office in a counterpart application, and

(2) The closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines, to make sure that any material information contained therein is disclosed to the Office.

(b) Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

(1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or

(2) It refutes, or is inconsistent with, a position the applicant takes in:

(i) Opposing an argument of unpatentability relied on by the Office, or

(ii) Asserting an argument of patentability.

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

(c) Individuals associated with the filing or prosecution of a patent application within the meaning of this section are:

(1) Each inventor named in the application;

(2) Each attorney or agent who prepares or prosecutes the application; and

(3) Every other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, the applicant, an assignee, or anyone to whom there is an obligation to assign the application.

(d) Individuals other than the attorney, agent or inventor may comply with this section by disclosing information to the attorney, agent, or inventor.

(e) In any continuation-in-part application, the duty under this section includes the duty to disclose to the Office all information known to the person to be material to patentability, as defined in paragraph (b) of this section, which became available between the filing date of the prior application and the national or PCT international filing date of the continuation-in-part application.

Credits

[[42 FR 5593](#), Jan. 28, 1977 as amended at [47 FR 21751](#), May 19, 1982; [48 FR 2710](#), Jan. 20, 1983; [49 FR 554](#), Jan. 4, 1984; [50 FR 5171](#), Feb. 6, 1985; [53 FR 47808](#), Nov. 28, 1988; [57 FR 2034](#), Jan. 17, 1992; [65 FR 54666](#), Sept. 8, 2000; [77 FR 48818](#), Aug. 14, 2012]

SOURCE: [24 FR 10332](#), Dec. 22, 1959; [60 FR 14518](#), March 17, 1995; [65 FR 14871](#), March 20, 2000; [65 FR 33455](#), May 24, 2000; [65 FR 50103](#), Aug. 16, 2000; [65 FR 56793](#), Sept. 20, 2000; [65 FR 70490](#), Nov. 24, 2000; [80 FR 17952](#), April 2, 2015, unless otherwise noted.

AUTHORITY: [35 U.S.C. 2\(b\)\(2\)](#), unless otherwise noted.

Current through September 23, 2021; 86 FR 52843.

Code of Federal Regulations

Title 37. Patents, Trademarks, and Copyrights

Chapter I. United States Patent and Trademark Office, Department of Commerce (Refs & Annos)

Subchapter A. General

Practice Before the Patent and Trademark Office

Part 11. Representation of Others Before the United States Patent and Trademark Office (Refs & Annos)

Subpart B. Recognition to Practice Before the Uspto

Patents, Trademarks, and Other Non–Patent Law

37 C.F.R. § 11.5

§ 11.5 Register of attorneys and agents in patent matters; practice before the Office.

Effective: June 25, 2021

Currentness

(a) Register of attorneys and agents. A register of attorneys and agents is kept in the Office on which are entered the names of all individuals recognized as entitled to represent applicants having prospective or immediate business before the Office in the preparation and prosecution of patent applications. Registration in the Office under the provisions of this part shall entitle the individuals so registered to practice before the Office only in patent matters.

(b) Practice before the Office. Practice before the Office includes, but is not limited to, law-related service that comprehends any matter connected with the presentation to the Office or any of its officers or employees relating to a client's rights, privileges, duties, or responsibilities under the laws or regulations administered by the Office for the grant of a patent or registration of a trademark, or for enrollment or disciplinary matters. Such presentations include preparing necessary documents in contemplation of filing the documents with the Office, corresponding and communicating with the Office, and representing a client through documents or at interviews, hearings, and meetings, as well as communicating with and advising a client concerning matters pending or contemplated to be presented before the Office. Nothing in this section proscribes a practitioner from employing or retaining non-practitioner assistants under the supervision of the practitioner to assist the practitioner in matters pending or contemplated to be presented before the Office.

(1) Practice before the Office in patent matters. Practice before the Office in patent matters includes, but is not limited to, preparing or prosecuting any patent application; consulting with or giving advice to a client in contemplation of filing a patent application or other document with the Office; drafting the specification or claims of a patent application; drafting an amendment or reply to a communication from the Office that may require written argument to establish the patentability of a claimed invention; drafting a reply to a communication from the Office regarding a patent application; and drafting a communication for a public use, interference, reexamination proceeding, petition, appeal to or any other proceeding before the Patent Trial and Appeal Board, or other patent proceeding. Registration to practice before the Office in patent matters authorizes the performance of those services that are reasonably necessary and incident to the preparation and prosecution of patent applications or other proceeding before the Office involving a patent application or patent in which the practitioner is authorized to participate. The services include:

(i) Considering the advisability of relying upon alternative forms of protection which may be available under state law, and

(ii) Drafting an assignment or causing an assignment to be executed for the patent owner in contemplation of filing or prosecution of a patent application for the patent owner, where the practitioner represents the patent owner after a patent issues in a proceeding before the Office, and when drafting the assignment the practitioner does no more than replicate the terms of a previously existing oral or written obligation of assignment from one person or party to another person or party.

(2) Practice before the Office in trademark matters. Practice before the Office in trademark matters includes, but is not limited to, consulting with or giving advice to a client in contemplation of filing a trademark application or other document with the Office; preparing or prosecuting an application for trademark registration; preparing an amendment that may require written argument to establish the registrability of the mark; preparing or prosecuting a document for maintaining, correcting, amending, canceling, surrendering, or otherwise affecting a registration; and conducting an opposition, cancellation, or concurrent use proceeding; or conducting an appeal to the Trademark Trial and Appeal Board.

Credits

[[73 FR 47688](#), Aug. 14, 2008; [77 FR 46629](#), Aug. 6, 2012; [86 FR 28452](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), 32, 41; Sec. 1, [Pub.L. 113–227](#), 128 Stat. 2114.

Current through September 23, 2021; [86 FR 52843](#).

End of Document

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Chapter I. United States Patent and Trademark Office, Department of Commerce (Refs & Annos)

Subchapter A. General

Practice Before the Patent and Trademark Office

Part 11. Representation of Others Before the United States Patent and Trademark Office (Refs & Annos)

Subpart B. Recognition to Practice Before the Uspto

Patents, Trademarks, and Other Non–Patent Law

37 C.F.R. § 11.7

§ 11.7 Requirements for registration.

Effective: June 25, 2021

[Currentness](#)

(a) No individual will be registered to practice before the Office unless he or she has:

(1) Applied to the USPTO Director in writing by completing an application for registration form supplied by the OED Director and furnishing all requested information and material; and

(2) Established to the satisfaction of the OED Director that he or she:

(i) Possesses good moral character and reputation;

(ii) Possesses the legal, scientific, and technical qualifications necessary for him or her to render applicants valuable service; and

(iii) Is competent to advise and assist patent applicants in the presentation and prosecution of their applications before the Office.

(b)(1) To enable the OED Director to determine whether an individual has the qualifications specified in paragraph (a)(2) of this section, the individual shall:

(i) File a complete application for registration each time admission to the registration examination is requested. A complete application for registration includes:

(A) An application for registration form supplied by the OED Director wherein all requested information and supporting documents are furnished,

- (B) Payment of the fees required by § 1.21(a)(1) of this chapter;
 - (C) Satisfactory proof of scientific and technical qualifications, and
 - (D) For aliens, provide proof that recognition is not inconsistent with the terms of their visa or entry into the United States;
- (ii) Pass the registration examination, unless the taking and passing of the examination is waived as provided in paragraph (d) of this section. Unless examination is waived pursuant to paragraph (d) of this section, each individual seeking registration must take and pass the registration examination to enable the OED Director to determine whether the individual possesses the legal and competence qualifications specified in paragraphs (a)(2)(ii) and (a)(2)(iii) of this section. An individual failing the examination may, upon receipt of notice of failure from OED, reapply for admission to the examination. An individual failing the examination must wait thirty days after the date the individual last took the examination before retaking the examination. An individual reapplying shall:
- (A) File a completed application for registration form wherein all requested information and supporting documents are furnished,
 - (B) Pay the fees required by § 1.21(a)(1) of this subchapter, and
 - (C) For aliens, provide proof that recognition is not inconsistent with the terms of their visa or entry into the United States; and
- (iii) Provide satisfactory proof of possession of good moral character and reputation.
- (2) An individual failing the examination may, upon receipt of notice of failure from OED, reapply for admission to the examination. An individual failing the examination for the first or second time must wait 30 days after the date the individual last took the examination before retaking the examination. An individual failing the examination for the third or fourth time must wait 90 days after the date the individual last took the examination before retaking the examination. An individual may not take the examination more than five times. However, upon petition under § 11.2(c), the OED Director may, at his or her discretion, waive this limitation upon such conditions as the OED Director may prescribe. An individual reapplying shall:
- (i) File a completed application for registration form including all requested information and supporting documents not previously provided to OED,
 - (ii) Pay the fees required by § 1.21(a)(1) of this chapter,
 - (iii) For aliens, provide proof that registration is not inconsistent with the terms of their visa or entry into the United States, and

(iv) Provide satisfactory proof of good moral character and reputation.

(3) An individual failing to file a complete application for registration will not be admitted to the examination and will be notified of the incompleteness. Applications for registration that are incomplete as originally submitted will be considered only when they have been completed and received by OED, provided that this occurs within 60 days of the mailing date of the notice of incompleteness. Thereafter, a new and complete application for registration must be filed. Only an individual approved as satisfying the requirements of paragraph (b)(1)(i) of this section may be admitted to the examination.

(4)(i) A notice of admission shall be sent to those individuals who have been admitted to the registration examination. This notice shall specify a certain period of time in which to schedule and take the examination.

(ii) An individual may request an extension of this period of time by written request to the OED Director. Such request must be received by the OED Director prior to the expiration of the period specified in the notice as extended by any previously granted extension and must include the fee specified in § 1.21(a)(1)(iv). Upon the granting of the request, the period of time in which the individual may schedule and take the registration examination shall be extended by 90 days.

(iii) An individual who does not take the registration examination within the period of time specified in the notice may not take the examination without filing a new application for registration, as set forth in paragraph (b)(1)(i) of this section.

(c) Each individual seeking registration is responsible for updating all information and answers submitted in or with the application for registration based upon anything occurring between the date the application for registration is signed by the individual, and the date he or she is registered or recognized to practice before the Office in patent matters. The update shall be filed within thirty days after the date of the occasion that necessitates the update.

(d) Waiver of the Registration Examination for Former Office Employees—

(1) Former patent examiners who by July 26, 2004, had not actively served four years in the patent examining corps, and were serving in the corps at the time of their separation. The OED Director may waive the taking of a registration examination in the case of any individual meeting the requirements of paragraph (b)(1)(i)(C) of this section who is a former patent examiner but by July 26, 2004, had not served four years in the patent examining corps, if the individual demonstrates that he or she:

(i) Actively served in the patent examining corps of the Office and was serving in the corps at the time of separation from the Office;

(ii) Received a certificate of legal competency and negotiation authority;

(iii) After receiving the certificate of legal competency and negotiation authority, was rated at least fully successful in each quality performance element of his or her performance plan for the last two complete fiscal years as a patent examiner; and

(iv) Was not under an oral or written warning regarding the quality performance elements at the time of separation from the patent examining corps.

(2) Former patent examiners who on July 26, 2004, had actively served four years in the patent examining corps, and were serving in the corps at the time of their separation. The OED Director may waive the taking of a registration examination in the case of any individual meeting the requirements of paragraph (b)(1)(i)(C) of this section who is a former patent examiner and by July 26, 2004, had served four years in the patent examining corps, if the individual demonstrates that he or she:

(i) Actively served for at least four years in the patent examining corps of the Office by July 26, 2004, and was serving in the corps at the time of separation from the Office;

(ii) Was rated at least fully successful in each quality performance element of his or her performance plan for the last two complete fiscal years as a patent examiner in the Office; and

(iii) Was not under an oral or written warning regarding the quality performance elements at the time of separation from the patent examining corps.

(3) Certain former Office employees who were not serving in the patent examining corps upon their separation from the Office. The OED Director may waive the taking of a registration examination in the case of a former Office employee meeting the requirements of paragraph (b)(1)(i)(C) of this section who, by petition, demonstrates the necessary legal qualifications to render to patent applicants and others valuable service and assistance in the preparation and prosecution of their applications or other business before the Office by showing that he or she has:

(i) Exhibited comprehensive knowledge of patent law equivalent to that shown by passing the registration examination as a result of having been in a position of responsibility in the Office in which he or she:

(A) Provided substantial guidance on patent examination policy, including the development of rule or procedure changes, patent examination guidelines, changes to the Manual of Patent Examining Procedure, training or testing materials for the patent examining corps, or materials for the registration examination or continuing legal education; or

(B) Represented the Office in patent matters before Federal courts; and

(ii) Was rated at least fully successful in each quality performance element of his or her performance plan for said position for the last two complete rating periods in the Office and was not under an oral or written warning regarding such performance elements at the time of separation from the Office.

(4) To be eligible for consideration for waiver, an individual formerly employed by the Office within the scope of one of paragraphs (d)(1), (d)(2) or (d)(3) of this section must file a complete application for registration and pay the fee required by § 1.21(a)(1)(i) of this subchapter within two years of the individual's date of separation from the Office. All other individuals formerly employed by the Office, including former examiners, filing an application for registration or fee more

than two years after separation from the Office, are required to take and pass the registration examination. The individual or former examiner must pay the examination fee required by § 1.21(a)(1)(ii) of this subchapter within thirty days after notice of non-waiver.

(e) Examination results. Notification of the examination results is final. Within 60 days of the mailing date of a notice of failure, the individual is entitled to inspect, but not copy, the questions and answers he or she incorrectly answered. Review will be under supervision. No notes may be taken during such review. Substantive review of the answers or questions may not be pursued by petition for regrade.

(f) Application for reciprocal recognition. An individual seeking reciprocal recognition under § 11.6(c), in addition to satisfying the provisions of paragraphs (a) and (b) of this section, and the provisions of § 11.8(b), shall pay the application fee required by § 1.21(a)(1)(i) of this chapter upon filing an application for registration.

(g) Investigation of good moral character and reputation.

(1) Every individual seeking recognition shall answer all questions in the application for registration and request(s) for information and evidence issued by OED; disclose all relevant facts, dates, and information; and provide verified copies of documents relevant to his or her good moral character and reputation. An individual who is an attorney shall submit a certified copy of each of his or her State bar applications and determinations of character and reputation, if available.

(2)(i) If the OED Director receives information from any source that reflects adversely on the good moral character or reputation of an individual seeking registration or recognition, the OED Director shall conduct an investigation into the good moral character and reputation of that individual. The investigation will be conducted after the individual has passed the registration examination, or after the registration examination has been waived for the individual, as applicable. An individual failing to timely answer questions or respond to an inquiry by OED shall be deemed to have withdrawn his or her application, and shall be required to reapply, pass the examination, and otherwise satisfy all the requirements of this section. No individual shall be certified for registration or recognition by the OED Director until, to the satisfaction of the OED Director, the individual demonstrates his or her possession of good moral character and reputation.

(ii) The OED Director, in considering an application for registration by an attorney, may accept a State bar's determination of character and reputation as meeting the requirements set forth in paragraph (a)(2)(i) of this section if, after review, the Office finds no substantial discrepancy between the information provided with his or her application for registration and the State bar application and determination of character and reputation, provided that acceptance is not inconsistent with other rules and the requirements of 35 U.S.C. 2(b)(2)(D).

(h) Good moral character and reputation. Evidence showing lack of good moral character and reputation may include, but is not limited to, conviction of a felony or a misdemeanor identified in paragraph (h)(1) of this section, drug or alcohol abuse; lack of candor; suspension or disbarment on ethical grounds from a State bar; and resignation from a State bar while under investigation.

(1) Conviction of felony or misdemeanor. An individual who has been convicted of a felony or a misdemeanor involving moral turpitude, breach of trust, interference with the administration of justice, false swearing, misrepresentation, fraud, deceit, bribery, extortion, misappropriation, theft, or conspiracy to commit any felony or misdemeanor, is presumed not to be of good moral character and reputation in the absence of a pardon or a satisfactory showing of reform and rehabilitation,

and shall file with his or her application for registration the fees required by § 1.21(a)(1)(ii) and (a)(10) of this subchapter. The OED Director shall determine whether individuals convicted of said felony or misdemeanor provided satisfactory proof of reform and rehabilitation.

(i) An individual who has been convicted of a felony or a misdemeanor identified in paragraph (h)(1) of this section shall not be eligible to apply for registration during the time of any sentence (including confinement or commitment to imprisonment), deferred adjudication, and period of probation or parole as a result of the conviction, and for a period of two years after the date of completion of the sentence, deferred adjudication, and period of probation or parole, whichever is later.

(ii) The following presumptions apply to the determination of good moral character and reputation of an individual convicted of said felony or misdemeanor:

(A) The court record or docket entry of conviction is conclusive evidence of guilt in the absence of a pardon or a satisfactory showing of reform or rehabilitation; and

(B) An individual convicted of a felony or any misdemeanor identified in paragraph (h)(1) of this section is conclusively deemed not to have good moral character and reputation, and shall not be eligible to apply for registration for a period of two years after completion of the sentence, deferred adjudication, and period of probation or parole, whichever is later.

(iii) The individual, upon applying for registration, shall provide satisfactory evidence that he or she is of good moral character and reputation.

(iv) Upon proof that a conviction has been set aside or reversed, the individual shall be eligible to file a complete application for registration and the fee required by § 1.21(a)(1)(ii) of this subchapter and, upon passing the registration examination, have the OED Director determine, in accordance with paragraph (h)(1) of this section, whether, absent the conviction, the individual possesses good moral character and reputation.

(2) Good moral character and reputation involving drug or alcohol abuse. An individual's record is reviewed as a whole to see if there is a drug or alcohol abuse issue. An individual appearing to abuse drugs or alcohol may be asked to undergo an evaluation, at the individual's expense, by a qualified professional approved by the OED Director. In instances where, before an investigation commences, there is evidence of a present abuse or an individual has not established a record of recovery, the OED Director may request the individual to withdraw his or her application, and require the individual to satisfactorily demonstrate that he or she is complying with treatment and undergoing recovery.

(3) Moral character and reputation involving lack of candor. An individual's lack of candor in disclosing facts bearing on or relevant to issues concerning good moral character and reputation when completing the application or any time thereafter may be found to be cause to deny registration on moral character and reputation grounds.

(4) Moral character and reputation involving suspension, disbarment, or resignation from a profession.

(i) An individual who has been disbarred or suspended from practice of law or other profession, or has resigned in lieu of a disciplinary proceeding (excluded or disbarred on consent) shall be ineligible to apply for registration as follows:

(A) An individual who has been disbarred from practice of law or other profession, or has resigned in lieu of a disciplinary proceeding (excluded or disbarred on consent) shall be ineligible to apply for registration for a period of five years from the date of disbarment or resignation.

(B) An individual who has been suspended on ethical grounds from the practice of law or other profession shall be ineligible to apply for registration until expiration of the period of suspension.

(C) An individual who was not only disbarred, suspended or resigned in lieu of a disciplinary proceeding, but also convicted in a court of a felony, or of a crime involving moral turpitude or breach of trust, shall be ineligible to apply for registration until the conditions in paragraphs (h)(1) and (h)(4) of this section are fully satisfied.

(ii) An individual who has been disbarred or suspended, or who resigned in lieu of a disciplinary proceeding shall file an application for registration and the fees required by § 1.21(a)(1)(ii) and (a)(10) of this subchapter; provide a full and complete copy of the proceedings that led to the disbarment, suspension, or resignation; and provide satisfactory proof that he or she possesses good moral character and reputation. The following presumptions shall govern the determination of good moral character and reputation of an individual who has been licensed to practice law or other profession in any jurisdiction and has been disbarred, suspended on ethical grounds, or allowed to resign in lieu of discipline, in that jurisdiction:

(A) A copy of the record resulting in disbarment, suspension or resignation is prima facie evidence of the matters contained in the record, and the imposition of disbarment or suspension, or the acceptance of the resignation of the individual shall be deemed conclusive that the individual has committed professional misconduct.

(B) The individual is ineligible for registration and is deemed not to have good moral character and reputation during the period of the imposed discipline.

(iii) The only defenses available with regard to an underlying disciplinary matter resulting in disbarment, suspension on ethical grounds, or resignation in lieu of a disciplinary proceeding are set out below, and must be shown to the satisfaction of the OED Director:

(A) The procedure in the disciplinary court was so lacking in notice or opportunity to be heard as to constitute a deprivation of due process;

(B) There was such infirmity of proof establishing the misconduct as to give rise to the clear conviction that the Office could not, consistently with its duty, accept as final the conclusion on that subject; or

(C) The finding of lack of good moral character and reputation by the Office would result in grave injustice.

(i) Factors that may be taken into consideration when evaluating rehabilitation of an individual seeking a moral character and reputation determination. The factors enumerated below are guidelines to assist the OED Director in determining whether an individual has demonstrated rehabilitation from an act of misconduct or moral turpitude. The factors include:

- (1) The nature of the act of misconduct, including whether it involved moral turpitude, whether there were aggravating or mitigating circumstances, and whether the activity was an isolated event or part of a pattern;
- (2) The age and education of the individual at the time of the misconduct and the age and education of the individual at the present time;
- (3) The length of time that has passed between the misconduct and the present, absent any involvement in any further acts of moral turpitude, the amount of time and the extent of rehabilitation being dependent upon the nature and seriousness of the act of misconduct under consideration;
- (4) Restitution by the individual to any person who suffered monetary losses through acts or omissions of the individual;
- (5) Expungement of a conviction;
- (6) Successful completion or early discharge from probation or parole;
- (7) Abstinence from the use of controlled substances or alcohol for not less than two years if the specific misconduct was attributable in part to the use of a controlled substance or alcohol, where abstinence may be demonstrated by, but is not necessarily limited to, enrolling in and complying with a self-help or professional treatment program;
- (8) If the specific misconduct was attributable in part to a medically recognized mental disease, disorder or illness, proof that the individual sought professional assistance, and complied with the treatment program prescribed by the professional, and submitted letters from the treating psychiatrist/psychologist verifying that the medically recognized mental disease, disorder or illness will not impede the individual's ability to competently practice before the Office;
- (9) Payment of the fine imposed in connection with any criminal conviction;
- (10) Correction of behavior responsible in some degree for the misconduct;
- (11) Significant and conscientious involvement in programs designed to provide social benefits or to ameliorate social problems; and
- (12) Change in attitude from that which existed at the time of the act of misconduct in question as evidenced by any or all of the following:

(i) Statements of the individual;

(ii) Statements from persons familiar with the individual's previous misconduct and with subsequent attitudes and behavioral patterns;

(iii) Statements from probation or parole officers or law enforcement officials as to the individual's social adjustments; and

(iv) Statements from persons competent to testify with regard to neuropsychiatry or emotional disturbances.

(j) Notice to Show Cause. The OED Director shall inquire into the good moral character and reputation of an individual seeking registration, providing the individual with the opportunity to create a record on which a decision is made. If, following inquiry and consideration of the record, the OED Director is of the opinion that the individual seeking registration has not satisfactorily established that he or she possesses good moral character and reputation, the OED Director shall issue to the individual a notice to show cause why the individual's application for registration should not be denied.

(1) The individual shall be given no less than ten days from the date of the notice to reply. The notice shall be given by certified mail at the address appearing on the application if the address is in the United States, and by any other reasonable means if the address is outside the United States.

(2) Following receipt of the individual's response, or in the absence of a response, the OED Director shall consider the individual's response, if any, and the record, and determine whether, in the OED Director's opinion, the individual has sustained his or her burden of satisfactorily demonstrating that he or she possesses good moral character and reputation.

(k) Reapplication for registration. An individual who has been refused registration for lack of good moral character or reputation may reapply for registration two years after the date of the decision, unless a shorter period is otherwise ordered by the USPTO Director. An individual, who has been notified that he or she is under investigation for good moral character and reputation may elect to withdraw his or her application for registration, and may reapply for registration two years after the date of withdrawal. Upon reapplication for registration, the individual shall pay the fees required by § 1.21(a)(1)(ii) and (a)(10) of this subchapter, and has the burden of showing to the satisfaction of the OED Director his or her possession of good moral character and reputation as prescribed in paragraph (b) of this section. Upon reapplication for registration, the individual also shall complete successfully the examination prescribed in paragraph (b) of this section, even though the individual has previously passed a registration examination.

(l) Transfer of status from agent to attorney. An agent registered under § 11.6(b) may request registration as an attorney under § 11.6(a). The agent shall demonstrate his or her good standing as an attorney and pay the fee required by § 1.21(a)(2)(iii) of this chapter.

Credits

[86 FR 28453, May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); [Sec. 1](#), [Pub.L. 113–227](#), [128 Stat. 2114](#).

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Patents, Trademarks, and Other Non–Patent Law

37 C.F.R. § 11.18

§ 11.18 Signature and certificate for correspondence filed in the Office.

Effective: June 25, 2021

Currentness

(a) For all documents filed in the Office in patent, trademark, and other non-patent matters, and all documents filed with a hearing officer in a disciplinary proceeding, except for correspondence that is required to be signed by the applicant or party, each piece of correspondence filed by a practitioner in the Office must bear a signature, personally signed or inserted by such practitioner, in compliance with § 1.4(d) or § 2.193(a) of this chapter.

(b) By presenting to the Office or hearing officer in a disciplinary proceeding (whether by signing, filing, submitting, or later advocating) any paper, the party presenting such paper, whether a practitioner or non-practitioner, is certifying that—

(1) All statements made therein of the party's own knowledge are true, all statements made therein on information and belief are believed to be true, and all statements made therein are made with the knowledge that whoever, in any matter within the jurisdiction of the Office, knowingly and willfully falsifies, conceals, or covers up by any trick, scheme, or device a material fact, or knowingly and willfully makes any false, fictitious, or fraudulent statements or representations, or knowingly and willfully makes or uses any false writing or document knowing the same to contain any false, fictitious, or fraudulent statement or entry, shall be subject to the penalties set forth under 18 U.S.C. 1001 and any other applicable criminal statute, and violations of the provisions of this section may jeopardize the probative value of the paper; and

(2) To the best of the party's knowledge, information and belief, formed after an inquiry reasonable under the circumstances,

(i) The paper is not being presented for any improper purpose, such as to harass someone or to cause unnecessary delay or needless increase in the cost of any proceeding before the Office;

(ii) The other legal contentions therein are warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law;

(iii) The allegations and other factual contentions have evidentiary support or, if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery; and

(iv) The denials of factual contentions are warranted on the evidence, or if specifically so identified, are reasonably based on a lack of information or belief.

(c) Violations of any of paragraphs (b)(2)(i) through (iv) of this section are, after notice and reasonable opportunity to respond, subject to such sanctions or actions as deemed appropriate by the USPTO Director, which may include, but are not limited to, any combination of—

(1) Striking the offending paper;

(2) Referring a practitioner's conduct to the Director of the Office of Enrollment and Discipline for appropriate action;

(3) Precluding a party or practitioner from submitting a paper, or presenting or contesting an issue;

(4) Affecting the weight given to the offending paper; or

(5) Terminating the proceedings in the Office.

(d) Any practitioner violating the provisions of this section may also be subject to disciplinary action.

Credits

[[73 FR 47689](#), Aug. 14, 2008; [74 FR 54912](#), Oct. 26, 2009; [78 FR 62409](#), Oct. 21, 2013; [86 FR 28457](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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37 C.F.R. § 11.19

§ 11.19 Disciplinary jurisdiction; grounds for discipline and for transfer to disability inactive status.

Effective: June 25, 2021

[Currentness](#)

(a) Disciplinary jurisdiction. All practitioners engaged in practice before the Office; all practitioners administratively suspended under § 11.11; all practitioners registered or recognized to practice before the Office in patent matters; all practitioners resigned, inactivated, or in emeritus status under § 11.11; all practitioners authorized under § 41.5(a) or 42.10(c) of this chapter; and all practitioners transferred to disability inactive status or publicly disciplined by a duly constituted authority are subject to the disciplinary jurisdiction of the Office and subject to being transferred to disability inactive status. A non-practitioner is also subject to the disciplinary authority of the Office if the person engages in or offers to engage in practice before the Office without proper authority.

(b) Grounds for discipline; Grounds for transfer to disability inactive status. The following, whether done individually by a practitioner or in concert with any other person or persons and whether or not done in the course of providing legal services to a client, or in a matter pending before the Office, constitute grounds for discipline or grounds for transfer to disability inactive status.

(1) Grounds for discipline include:

(i) Conviction of a serious crime;

(ii) Discipline on ethical or professional misconduct grounds imposed in another jurisdiction or disciplinary disqualification from participating in or appearing before any Federal program or agency;

(iii) Failure to comply with any order of a Court disciplining a practitioner, or any final decision of the USPTO Director in a disciplinary matter;

(iv) Violation of any USPTO Rule of Professional Conduct; or

(v) Violation of the oath or declaration taken by the practitioner. See § 11.8.

(2) Grounds for transfer to disability inactive status include:

(i) Being transferred to disability inactive status in another jurisdiction;

(ii) Being judicially declared incompetent, being judicially ordered to be involuntarily committed after a hearing on the grounds of insanity, incompetency or disability, or being placed by court order under guardianship or conservatorship; or

(iii) Filing a motion requesting a disciplinary proceeding be held in abeyance because the practitioner is suffering from a disability or addiction that makes it impossible for the practitioner to adequately defend the charges in the disciplinary proceeding.

(c) Petitions to disqualify a practitioner in ex parte or inter partes matters in the Office are not governed by this subpart and will be handled on a case-by-case basis under such conditions as the USPTO Director deems appropriate.

(d) The OED Director may refer the existence of circumstances suggesting unauthorized practice of law to the authorities in the appropriate jurisdiction(s).

(e) The OED Director has the discretion to choose any of the independent grounds of discipline under paragraph (b) of this section and to pursue any of the procedures set forth in this subpart in every disciplinary proceeding.

Credits

[78 FR 20200, April 3, 2013; 86 FR 28457, May 26, 2021]

SOURCE: 65 FR 56793, Sept. 20, 2000; 69 FR 35452, June 24, 2004; 73 FR 47689, Aug. 14, 2008; 73 FR 67757, Nov. 17, 2008; 81 FR 33596, May 27, 2016, unless otherwise noted.

AUTHORITY: 5 U.S.C. 500; 15 U.S.C. 1123; 35 U.S.C. 2(b)(2), 32, 41; Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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37 C.F.R. § 11.20

§ 11.20 Disciplinary sanctions; Transfer to disability inactive status.

Effective: June 25, 2021

Currentness

(a) Types of discipline. The USPTO Director, after notice and opportunity for a hearing, and where grounds for discipline exist, may impose on a practitioner the following types of discipline:

(1) Exclusion from practice before the Office;

(2) Suspension from practice before the Office for an appropriate period of time;

(3) Reprimand or censure; or

(4) Probation. Probation may be imposed in lieu of or in addition to any other disciplinary sanction. The conditions of probation shall be stated in the order imposing probation. Violation of any condition of probation shall be cause for imposition of the disciplinary sanction. Imposition of the disciplinary sanction predicated upon violation of probation shall occur only after a notice to show cause why the disciplinary sanction should not be imposed is resolved adversely to the practitioner.

(b) Conditions imposed with discipline. When imposing discipline, the USPTO Director may condition reinstatement upon the practitioner making restitution, successfully completing a professional responsibility course or examination, or any other condition deemed appropriate under the circumstances.

(c) Transfer to disability inactive status. As set forth in § 11.29, the USPTO Director, after notice and opportunity for a hearing, may transfer a practitioner to disability inactive status where grounds exist to believe the practitioner has been transferred to disability inactive status in another jurisdiction, has been judicially declared incompetent, has been judicially ordered to be involuntarily committed after a hearing on the grounds of incompetency or disability, or has been placed by court order under guardianship or conservatorship.

Credits

[[78 FR 20200](#), April 3, 2013; [86 FR 28457](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 47689](#), Aug. 14, 2008; [73 FR 67757](#), Nov. 17, 2008; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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37 C.F.R. § 11.21

§ 11.21 Warnings.

Effective: June 25, 2021

[Currentness](#)

A warning is neither public nor a disciplinary sanction. The OED Director may conclude an investigation with the issuance of a warning. The warning shall contain a statement of facts and identify the USPTO Rules of Professional Conduct relevant to the facts.

Credits

[[78 FR 20200](#), April 3, 2013; [86 FR 28458](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 47689](#), Aug. 14, 2008; [73 FR 67757](#), Nov. 17, 2008; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: 5 U.S.C. 500; 15 U.S.C. 1123; 35 U.S.C. 2(b)(2), 32, 41; Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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37 C.F.R. § 11.22

§ 11.22 Disciplinary investigations.

Effective: June 25, 2021

Currentness

(a) The OED Director is authorized to investigate possible grounds for discipline. An investigation may be initiated when the OED Director receives a grievance, information or evidence from any source suggesting possible grounds for discipline. Neither unwillingness nor neglect by a grievant to prosecute a charge, nor settlement, compromise, or restitution with the grievant, shall in itself justify abatement of an investigation.

(b) Any person possessing information or evidence concerning possible grounds for discipline of a practitioner may report the information or evidence to the OED Director. The OED Director may request that the report be presented in the form of an affidavit or declaration.

(c) Notice to the OED Director. Upon receiving the notification required by § 11.24(a), 11.25(a), or 11.29(a), the OED Director shall obtain a certified copy of the record or order regarding such discipline, disqualification, conviction, or transfer. A certified copy of the record or order regarding the discipline, disqualification, conviction, or transfer shall be clear and convincing evidence that the practitioner has been disciplined, disqualified, convicted of a crime, or transferred to disability status by another jurisdiction.

(d) Preliminary screening of information or evidence. The OED Director shall examine all information or evidence concerning possible grounds for discipline of a practitioner.

(e) Notification of investigation. The OED Director shall notify the practitioner in writing of the initiation of an investigation into whether a practitioner has engaged in conduct constituting possible grounds for discipline.

(f) Request for information and evidence by OED Director.

(1) In the course of the investigation, the OED Director may request information and evidence regarding possible grounds for discipline of a practitioner from:

(i) The grievant,

(ii) The practitioner, or

(iii) Any person who may reasonably be expected to provide information and evidence needed in connection with the grievance or investigation.

(2) The OED Director may request information and evidence regarding possible grounds for discipline of a practitioner from a non-grieving client either after obtaining the consent of the practitioner or upon a finding by a Contact Member of the Committee on Discipline, appointed in accordance with § 11.23(d), that good cause exists to believe that the possible ground for discipline alleged has occurred with respect to non-grieving clients. Neither a request for, nor disclosure of, such information shall constitute a violation of any USPTO Rules of Professional Conduct.

(g) Where the OED Director makes a request under paragraph (f)(2) of this section to a Contact Member of the Committee on Discipline, such Contact Member shall not, with respect to the practitioner connected to the OED Director's request, participate in the Committee on Discipline panel that renders a probable cause determination under § 11.23(b) concerning such practitioner.

(h) Disposition of investigation. Upon the conclusion of an investigation, the OED Director may take appropriate action, including but not limited to:

(1) Closing the investigation without issuing a warning or taking disciplinary action;

(2) Issuing a warning to the practitioner;

(3) Instituting formal charges upon the approval of the Committee on Discipline; or

(4) Entering into a settlement agreement with the practitioner and submitting the same for approval of the USPTO Director.

(i) Closing investigation. The OED Director shall terminate an investigation and decline to refer a matter to the Committee on Discipline if the OED Director determines that:

(1) The information or evidence is unfounded;

(2) The information or evidence relates to matters not within the jurisdiction of the Office;

(3) As a matter of law, the conduct about which information or evidence has been obtained does not constitute grounds for discipline, even if the conduct may involve a legal dispute; or

(4) The available evidence is insufficient to conclude that there is probable cause to believe that grounds exist for discipline.

Credits

[[77 FR 45251](#), July 31, 2012; [78 FR 20200](#), April 3, 2013; [86 FR 28458](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 47689](#), Aug. 14, 2008; [73 FR 67757](#), Nov. 17, 2008; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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37 C.F.R. § 11.32

§ 11.32 Instituting a disciplinary proceeding.

Effective: May 3, 2013

Currentness

If after conducting an investigation under § 11.22(a), the OED Director is of the opinion that grounds exist for discipline under § 11.19(b), the OED Director, after complying where necessary with the provisions of 5 U.S.C. 558(c), may convene a meeting of a panel of the Committee on Discipline. If convened, the panel of the Committee on Discipline shall then determine as specified in § 11.23(b) whether there is probable cause to bring disciplinary charges. If the panel of the Committee on Discipline determines that probable cause exists to bring charges, the OED Director may institute a disciplinary proceeding by filing a complaint under § 11.34.

Credits

[78 FR 20201, April 3, 2013]

SOURCE: 65 FR 56793, Sept. 20, 2000; 69 FR 35452, June 24, 2004; 73 FR 47689, Aug. 14, 2008; 73 FR 67757, Nov. 17, 2008; 81 FR 33596, May 27, 2016, unless otherwise noted.

AUTHORITY: 5 U.S.C. 500; 15 U.S.C. 1123; 35 U.S.C. 2(b)(2), 32, 41; Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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Subpart C. Investigations and Disciplinary Proceedings; Jurisdiction, Sanctions, Investigations, and Proceedings (Refs & Annos)

37 C.F.R. § 11.34

§ 11.34 Complaint.

Effective: June 25, 2021

Currentness

(a) A complaint instituting a disciplinary proceeding shall:

(1) Name the person who is the subject of the complaint who may then be referred to as the “respondent”;

(2) Give a plain and concise description of the respondent's alleged grounds for discipline;

(3) State the place and time, not less than thirty days from the date the complaint is filed, for filing an answer by the respondent;

(4) State that a decision by default may be entered if an answer is not timely filed by the respondent; and

(5) Be signed by the OED Director.

(b) A complaint will be deemed sufficient if it fairly informs the respondent of any grounds for discipline, and where applicable, the USPTO Rules of Professional Conduct that form the basis for the disciplinary proceeding so that the respondent is able to adequately prepare a defense.

(c) The complaint shall be filed in the manner prescribed by the USPTO Director. The term “filed” means the delivery, mailing, or electronic transmission of a document to a hearing officer or designee in connection with a disciplinary complaint or related matter.

(d) Time for filing a complaint. A complaint shall be filed within one year after the date on which the OED Director receives a grievance forming the basis of the complaint. No complaint shall be filed more than ten years after the date on which the misconduct forming the basis for the proceeding occurred.

(e) Tolling agreements. The one-year period for filing a complaint under paragraph (d) of this section shall be tolled if the involved practitioner and the OED Director agree in writing to such tolling.

Credits

[[77 FR 45251](#), July 31, 2012; [78 FR 20201](#), April 3, 2013; [86 FR 28460](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 47689](#), Aug. 14, 2008; [73 FR 67757](#), Nov. 17, 2008; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), 32, 41; Sec. 1, [Pub.L. 113–227](#), 128 Stat. 2114.

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37 C.F.R. § 11.42

§ 11.42 Service of papers.

Effective: October 22, 2014

[Currentness](#)

(a) All papers other than a complaint shall be served on a respondent who is represented by an attorney by:

(1) Delivering a copy of the paper to the office of the attorney; or

(2) Mailing a copy of the paper by first-class mail, Priority Mail Express®, or other delivery service to the attorney at the address provided by the attorney under [§ 11.40\(a\)\(1\)](#); or

(3) Any other method mutually agreeable to the attorney and a representative for the OED Director.

(b) All papers other than a complaint shall be served on a respondent who is not represented by an attorney by:

(1) Delivering a copy of the paper to the respondent; or

(2) Mailing a copy of the paper by first-class mail, Priority Mail Express®, or other delivery service to the respondent at the address to which a complaint may be served or such other address as may be designated in writing by the respondent; or

(3) Any other method mutually agreeable to the respondent and a representative for the OED Director.

(c) A respondent shall serve on the representative for the OED Director one copy of each paper filed with the hearing officer or the OED Director. A paper may be served on the representative for the OED Director by:

(1) Delivering a copy of the paper to the representative; or

(2) Mailing a copy of the paper by first-class mail, Priority Mail Express®, or other delivery service to an address designated in writing by the representative; or

(3) Any other method mutually agreeable to the respondent and the representative.

(d) Each paper filed in a disciplinary proceeding shall contain therein a certificate of service indicating:

(1) The date on which service was made; and

(2) The method by which service was made.

(e) The hearing officer or the USPTO Director may require that a paper be served by hand or by Priority Mail Express®.

(f) Service by mail is completed when the paper mailed in the United States is placed into the custody of the U.S. Postal Service.

Credits

[79 FR 63043, Oct. 22, 2014]

SOURCE: 65 FR 56793, Sept. 20, 2000; 69 FR 35452, June 24, 2004; 73 FR 47689, Aug. 14, 2008; 73 FR 67757, Nov. 17, 2008; 81 FR 33596, May 27, 2016, unless otherwise noted.

AUTHORITY: 5 U.S.C. 500; 15 U.S.C. 1123; 35 U.S.C. 2(b)(2), 32, 41; Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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Client-Practitioner Relationship

37 C.F.R. § 11.103

§ 11.103 Diligence.

Effective: May 3, 2013

Currentness

A practitioner shall act with reasonable diligence and promptness in representing a client.

SOURCE: 65 FR 56793, Sept. 20, 2000; 69 FR 35452, June 24, 2004; 73 FR 67757, Nov. 17, 2008; 78 FR 20201, 20202, April 3, 2013; 81 FR 33596, May 27, 2016, unless otherwise noted.

AUTHORITY: 5 U.S.C. 500; 15 U.S.C. 1123; 35 U.S.C. 2(b)(2), 32, 41; Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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Client-Practitioner Relationship

37 C.F.R. § 11.104

§ 11.104 Communication.

Effective: May 3, 2013

Currentness

(a) A practitioner shall:

- (1) Promptly inform the client of any decision or circumstance with respect to which the client's informed consent is required by the USPTO Rules of Professional Conduct;
- (2) Reasonably consult with the client about the means by which the client's objectives are to be accomplished;
- (3) Keep the client reasonably informed about the status of the matter;
- (4) Promptly comply with reasonable requests for information from the client; and
- (5) 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.

(b) A practitioner shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation.

SOURCE: 65 FR 56793, Sept. 20, 2000; 69 FR 35452, June 24, 2004; 73 FR 67757, Nov. 17, 2008; 78 FR 20201, 20202, April 3, 2013; 81 FR 33596, May 27, 2016, unless otherwise noted.

AUTHORITY: 5 U.S.C. 500; 15 U.S.C. 1123; 35 U.S.C. 2(b)(2), 32, 41; Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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Client-Practitioner Relationship

37 C.F.R. § 11.106

§ 11.106 Confidentiality of information.

Effective: June 25, 2021

Currentness

(a) A practitioner shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation, the disclosure is permitted by paragraph (b) of this section, or the disclosure is required by paragraph (c) of this section.

(b) A practitioner may reveal information relating to the representation of a client to the extent the practitioner reasonably believes necessary:

- (1) To prevent reasonably certain death or substantial bodily harm;
- (2) To prevent the client from engaging in inequitable conduct before the Office or from committing a crime or fraud that is reasonably certain to result in substantial injury to the financial interests or property of another and in furtherance of which the client has used or is using the practitioner's services;
- (3) To prevent, mitigate, or rectify substantial injury to the financial interests or property of another that is reasonably certain to result or has resulted from the client's commission of a crime, fraud, or inequitable conduct before the Office in furtherance of which the client has used the practitioner's services;
- (4) To secure legal advice about the practitioner's compliance with the USPTO Rules of Professional Conduct;
- (5) To establish a claim or defense on behalf of the practitioner in a controversy between the practitioner and the client, to establish a defense to a criminal charge or civil claim against the practitioner based upon conduct in which the client was involved, or to respond to allegations in any proceeding concerning the practitioner's representation of the client;
- (6) To comply with other law or a court order; or

(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.

(c) A practitioner shall disclose to the Office information necessary to comply with applicable duty of disclosure provisions.

(d) A practitioner shall make reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client.

Credits

[[86 FR 28466](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [78 FR 20201](#), [20202](#), April 3, 2013; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); [Sec. 1](#), [Pub.L. 113–227](#), [128 Stat. 2114](#).

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Client-Practitioner Relationship

37 C.F.R. § 11.116

§ 11.116 Declining or terminating representation.

Effective: May 3, 2013

[Currentness](#)

(a) Except as stated in paragraph (c) of this section, a practitioner shall not represent a client, or where representation has commenced, shall withdraw from the representation of a client if:

- (1) The representation will result in violation of the USPTO Rules of Professional Conduct or other law;
- (2) The practitioner's physical or mental condition materially impairs the practitioner's ability to represent the client; or
- (3) The practitioner is discharged.

(b) Except as stated in paragraph (c) of this section, a practitioner may withdraw from representing a client if:

- (1) Withdrawal can be accomplished without material adverse effect on the interests of the client;
- (2) The client persists in a course of action involving the practitioner's services that the practitioner reasonably believes is criminal or fraudulent;
- (3) The client has used the practitioner's services to perpetrate a crime or fraud;
- (4) A client insists upon taking action that the practitioner considers repugnant or with which the practitioner has a fundamental disagreement;
- (5) The client fails substantially to fulfill an obligation to the practitioner regarding the practitioner's services and has been given reasonable warning that the practitioner will withdraw unless the obligation is fulfilled;

(6) The representation will result in an unreasonable financial burden on the practitioner or has been rendered unreasonably difficult by the client; or

(7) Other good cause for withdrawal exists.

(c) A practitioner must comply with applicable law requiring notice to or permission of a tribunal when terminating a representation. When ordered to do so by a tribunal, a practitioner shall continue representation notwithstanding good cause for terminating the representation.

(d) Upon termination of representation, a practitioner shall take steps to the extent reasonably practicable to protect a client's interests, such as giving reasonable notice to the client, allowing time for employment of other counsel, surrendering papers and property to which the client is entitled and refunding any advance payment of fee or expense that has not been earned or incurred. The practitioner may retain papers relating to the client to the extent permitted by other law.

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [78 FR 20201](#), [20202](#), April 3, 2013; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); Sec. 1, [Pub.L. 113–227](#), [128 Stat. 2114](#).

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Client-Practitioner Relationship

37 C.F.R. § 11.118

§ 11.118 Duties to prospective client.

Effective: June 25, 2021

Currentness

- (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.
- (b) Even when no client-practitioner relationship ensues, a practitioner who has learned information from a prospective client shall not use or reveal that information, except as § 11.109 would permit with respect to information of a former client.
- (c) A practitioner subject to paragraph (b) of this section shall not represent a client with interests materially adverse to those of a prospective client in the same or a substantially related matter if the practitioner received information from the prospective client that could be significantly harmful to that person in the matter, except as provided in paragraph (d) of this section. If a practitioner is disqualified from representation under this paragraph, no practitioner in a firm with which that practitioner is associated may knowingly undertake or continue representation in such a matter, except as provided in paragraph (d) of this section.
- (d) When the practitioner has received disqualifying information as defined in paragraph (c) of this section, representation is permissible if:
- (1) Both the affected client and the prospective client have given informed consent, confirmed in writing; or
 - (2) The practitioner who received the information took reasonable measures to avoid exposure to more disqualifying information than was reasonably necessary to determine whether to represent the prospective client; and
- (i) The disqualified practitioner is timely screened from any participation in the matter and is apportioned no part of the fee therefrom; and
 - (ii) Written notice is promptly given to the prospective client.

Credits

[86 FR 28466, May 26, 2021]

SOURCE: 65 FR 56793, Sept. 20, 2000; 69 FR 35452, June 24, 2004; 73 FR 67757, Nov. 17, 2008; 78 FR 20201, 20202, April 3, 2013; 81 FR 33596, May 27, 2016, unless otherwise noted.

AUTHORITY: 5 U.S.C. 500; 15 U.S.C. 1123; 35 U.S.C. 2(b)(2), 32, 41; Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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Advocate

37 C.F.R. § 11.303

§ 11.303 Candor toward the tribunal.

Effective: May 3, 2013

Currentness

(a) A practitioner shall not knowingly:

(1) Make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the practitioner;

(2) Fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the practitioner to be directly adverse to the position of the client and not disclosed by opposing counsel in an inter partes proceeding, or fail to disclose such authority in an ex parte proceeding before the Office if such authority is not otherwise disclosed; or

(3) Offer evidence that the practitioner knows to be false. If a practitioner, the practitioner's client, or a witness called by the practitioner, has offered material evidence and the practitioner comes to know of its falsity, the practitioner shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal. A practitioner may refuse to offer evidence that the practitioner reasonably believes is false.

(b) A practitioner who represents a client in a proceeding before a tribunal and who knows that a person intends to engage, is engaging or has engaged in criminal or fraudulent conduct related to the proceeding shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal.

(c) The duties stated in paragraphs (a) and (b) of this section continue to the conclusion of the proceeding, and apply even if compliance requires disclosure of information otherwise protected by § 11.106.

(d) In an ex parte proceeding, a practitioner shall inform the tribunal of all material facts known to the practitioner that will enable the tribunal to make an informed decision, whether or not the facts are adverse.

(e) In a proceeding before the Office, a practitioner shall disclose to the Office information necessary to comply with applicable duty of disclosure provisions.

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [78 FR 20201](#), [20202](#), April 3, 2013; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); Sec. 1, [Pub.L. 113–227](#), [128 Stat. 2114](#).

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Law Firms and Associations

37 C.F.R. § 11.503

§ 11.503 Responsibilities regarding non-practitioner assistance.

Effective: May 3, 2013

[Currentness](#)

With respect to a non-practitioner assistant employed or retained by or associated with a practitioner:

(a) A practitioner who is a partner, and a practitioner who individually or together with other practitioners possesses comparable managerial authority in a law firm shall make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that the person's conduct is compatible with the professional obligations of the practitioner;

(b) A practitioner having direct supervisory authority over the non-practitioner assistant shall make reasonable efforts to ensure that the person's conduct is compatible with the professional obligations of the practitioner; and

(c) A practitioner shall be responsible for conduct of such a person that would be a violation of the USPTO Rules of Professional Conduct if engaged in by a practitioner if:

(1) The practitioner orders or, with the knowledge of the specific conduct, ratifies the conduct involved; or

(2) The practitioner is a partner or has comparable managerial authority in the law firm in which the person is employed, or has direct supervisory authority over the person, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [78 FR 20201](#), [20202](#), April 3, 2013; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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Law Firms and Associations

37 C.F.R. § 11.505

§ 11.505 Unauthorized practice of law.

Effective: May 3, 2013

[Currentness](#)

A practitioner shall not practice law in a jurisdiction in violation of the regulation of the legal profession in that jurisdiction, or assist another in doing so.

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [78 FR 20201](#), [20202](#), April 3, 2013; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); [Sec. 1](#), [Pub.L. 113–227](#), [128 Stat. 2114](#).

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Information About Legal Services

37 C.F.R. § 11.702

§ 11.702 Communications concerning a practitioner's services: specific rules.

Effective: June 25, 2021

[Currentness](#)

- (a) A practitioner may communicate information regarding the practitioner's services through any medium.
- (b) A practitioner shall not compensate, give, or promise anything of value to a person for recommending the practitioner's services, except that a practitioner may:
- (1) Pay the reasonable costs of advertisements or communications permitted by this section;
 - (2) Pay the usual charges of a legal service plan or a not-for-profit or qualified practitioner referral service;
 - (3) Pay for a law practice in accordance with [§ 11.117](#);
 - (4) Refer clients to another practitioner or a non-practitioner professional pursuant to an agreement not otherwise prohibited under the USPTO Rules of Professional Conduct that provides for the other person to refer clients or customers to the practitioner, if:
 - (i) The reciprocal referral agreement is not exclusive, and
 - (ii) The client is informed of the existence and nature of the agreement; and
 - (5) Give nominal gifts as an expression of appreciation that are neither intended nor reasonably expected to be a form of compensation for recommending a practitioner's services.
- (c) A practitioner shall not state or imply that he or she is certified as a specialist in a particular field of law, unless:

(1) The practitioner has 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 American Bar Association, and

(2) The name of the certifying organization is clearly identified in the communication.

(d) Any communication made under this section must include the name and contact information of at least one practitioner or law firm responsible for its content.

Credits

[[86 FR 28466](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [78 FR 20201](#), 20202, April 3, 2013; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), 32, 41; Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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Information About Legal Services

37 C.F.R. § 11.703

§ 11.703 Solicitation of clients.

Effective: June 25, 2021

[Currentness](#)

(a) “Solicitation” or “solicit” denotes a communication initiated by or on behalf of a practitioner or law firm that is directed to a specific person the practitioner knows or reasonably should know needs legal services in a particular matter and that offers to provide, or reasonably can be understood as offering to provide, legal services for that matter.

(b) A practitioner shall not solicit professional employment by live person-to-person contact when a significant motive for the practitioner's doing so is the practitioner's or law firm's pecuniary gain, unless the contact is with a:

(1) Practitioner;

(2) Person who has a family, close personal, or prior business or professional relationship with the practitioner or law firm; or

(3) Person who routinely uses for business purposes the type of legal services offered by the practitioner.

(c) A practitioner shall not solicit professional employment even when not otherwise prohibited by paragraph (b) of this section, if:

(1) The target of solicitation has made known to the practitioner a desire not to be solicited by the practitioner, or

(2) The solicitation involves coercion, duress, or harassment.

(d) This section does not prohibit communications authorized by law or ordered by a court or other tribunal.

(e) Notwithstanding the prohibitions in this section, a practitioner may participate with a prepaid or group legal service plan operated by an organization not owned or directed by the practitioner that uses live person-to-person contact to enroll members or sell subscriptions for the plan from persons who are not known to need legal services in a particular matter covered by the plan.

Credits

[[86 FR 28467](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [78 FR 20201](#), [20202](#), April 3, 2013; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); Sec. 1, Pub.L. 113–227, 128 Stat. 2114.

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Maintaining the Integrity of the Profession

37 C.F.R. § 11.804

§ 11.804 Misconduct.

Effective: June 25, 2021

[Currentness](#)

It is professional misconduct for a practitioner to:

- (a) Violate or attempt to violate the USPTO Rules of Professional Conduct, knowingly assist or induce another to do so, or do so through the acts of another;
- (b) Commit a criminal act that reflects adversely on the practitioner's honesty, trustworthiness, or fitness as a practitioner in other respects, or be convicted of a crime that reflects adversely on the practitioner's honesty, trustworthiness, or fitness as a practitioner in other respects;
- (c) Engage in conduct involving dishonesty, fraud, deceit or misrepresentation;
- (d) Engage in conduct that is prejudicial to the administration of justice;
- (e) State or imply an ability to influence improperly a government agency or official or to achieve results by means that violate the USPTO Rules of Professional Conduct or other law;
- (f) Knowingly assist a judge, hearing officer, administrative law judge, administrative patent judge, administrative trademark judge, or judicial officer in conduct that is a violation of applicable rules of judicial conduct or other law;
- (g) Knowingly assist an officer or employee of the Office in conduct that is a violation of applicable rules of conduct or other law;
- (h) Be publicly disciplined on ethical or professional misconduct grounds by any duly constituted authority of:

- (1) A State,

(2) The United States, or

(3) A country having disciplinary jurisdiction over the practitioner; or

(i) Engage in other conduct that adversely reflects on the practitioner's fitness to practice before the Office.

Credits

[[86 FR 28467](#), May 26, 2021]

SOURCE: [65 FR 56793](#), Sept. 20, 2000; [69 FR 35452](#), June 24, 2004; [73 FR 67757](#), Nov. 17, 2008; [78 FR 20201](#), [20202](#), April 3, 2013; [81 FR 33596](#), May 27, 2016, unless otherwise noted.

AUTHORITY: [5 U.S.C. 500](#); [15 U.S.C. 1123](#); [35 U.S.C. 2\(b\)\(2\)](#), [32](#), [41](#); Sec. 1, [Pub.L. 113–227](#), [128 Stat. 2114](#).

Current through September 23, 2021; [86 FR 52843](#).

End of Document

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RULES

Rule 1.1: Competence

Share:

Client-Lawyer Relationship

A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation.

Rule 1.3: Diligence

Share:

Client-Lawyer Relationship

A lawyer shall act with reasonable diligence and promptness in representing a client.

Rule 1.3 Diligence - Comment

Share:

Client-Lawyer Relationship

[1] A lawyer should pursue a matter on behalf of a client despite opposition, obstruction or personal inconvenience to the lawyer, and take whatever lawful and ethical measures are required to vindicate a client's cause or endeavor. A lawyer must also act with commitment and dedication to the interests of the client and with zeal in advocacy upon the client's behalf. A lawyer is not bound, however, to press for every advantage that might be realized for a client. For example, a lawyer may have authority to exercise professional discretion in determining the means by which a matter should be pursued. See Rule 1.2. The lawyer's duty to act with reasonable diligence does not require the use of offensive tactics or preclude the treating of all persons involved in the legal process with courtesy and respect.

[2] A lawyer's work load must be controlled so that each matter can be handled competently.

[3] Perhaps no professional shortcoming is more widely resented than procrastination. A client's interests often can be adversely affected by the passage of time or the change of conditions; in extreme instances, as when a lawyer overlooks a statute of limitations, the client's legal position may be destroyed. Even when the client's interests are not affected in substance, however, unreasonable delay can cause a client needless anxiety and undermine

confidence in the lawyer's trustworthiness. A lawyer's duty to act with reasonable promptness, however, does not preclude the lawyer from agreeing to a reasonable request for a postponement that will not prejudice the lawyer's client.

[4] Unless the relationship is terminated as provided in Rule 1.16, a lawyer should carry through to conclusion all matters undertaken for a client. If a lawyer's employment is limited to a specific matter, the relationship terminates when the matter has been resolved. If a lawyer has served a client over a substantial period in a variety of matters, the client sometimes may assume that the lawyer will continue to serve on a continuing basis unless the lawyer gives notice of withdrawal. Doubt about whether a client-lawyer relationship still exists should be clarified by the lawyer, preferably in writing, so that the client will not mistakenly suppose the lawyer is looking after the client's affairs when the lawyer has ceased to do so. For example, 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. See Rule 1.4(a)(2). Whether the lawyer is obligated to prosecute the appeal for the client depends on the scope of the representation the lawyer has agreed to provide to the client. See Rule 1.2.

[5] To prevent neglect of client matters in the event of a sole practitioner's death or disability, the duty of diligence may require that each sole practitioner prepare a plan, in conformity with applicable rules, that designates another competent lawyer to review client files, notify each client of the lawyer's death or disability, and determine whether there is a need for immediate protective

action. Cf. Rule 28 of the American Bar Association Model Rules for Lawyer Disciplinary Enforcement (providing for court appointment of a lawyer to inventory files and take other protective action in absence of a plan providing for another lawyer to protect the interests of the clients of a deceased or disabled lawyer).

Rule 3.3: Candor Toward the Tribunal

Share:

Advocate

(a) A lawyer shall not knowingly:

(1) make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the lawyer;

(2) fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel; or

(3) offer evidence that the lawyer knows to be false. If a lawyer, the lawyer's client, or a witness called by the lawyer, has offered material evidence and the lawyer comes to know of its falsity, the lawyer shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal. A lawyer may refuse to offer evidence, other than the testimony of a defendant in a criminal matter, that the lawyer reasonably believes is false.

(b) A lawyer who represents a client in an adjudicative proceeding and who knows that a person intends to engage, is engaging or has engaged in criminal or fraudulent conduct related to the proceeding shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal.

(c) The duties stated in paragraphs (a) and (b) continue to the conclusion of the proceeding, and apply even if compliance requires disclosure of information otherwise protected by Rule 1.6.

(d) In an ex parte proceeding, a lawyer shall inform the tribunal of all material facts known to the lawyer that will enable the tribunal to make an informed decision, whether or not the facts are adverse.

Rule 8.2: Judicial & Legal Officials

Share:

Maintaining The Integrity of The Profession

(a) 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.

(b) A lawyer who is a candidate for judicial office shall comply with the applicable provisions of the Code of Judicial Conduct.

West's Colorado Revised Statutes Annotated
Colorado Court Rules
Chapters 1--24. Rules of Civil Procedure
Rules of Professional Conduct (Appendix to Chapters 18 to 20) (Refs & Annos)
Maintaining the Integrity of the Profession

Rules of Prof.Cond., Rule 8.4

Rule 8.4. Misconduct

Effective: December 6, 2019

[Currentness](#)

It is professional misconduct for a lawyer to:

- (a)** violate or attempt to violate the Rules of Professional Conduct, knowingly assist or induce another to do so, or do so through the acts of another;
- (b)** commit a criminal act that reflects adversely on the lawyer's honesty, trustworthiness or fitness as a lawyer in other respects;
- (c)** engage in conduct involving dishonesty, fraud, deceit or misrepresentation, except that a lawyer may advise, direct, or supervise others, including clients, law enforcement officers, and investigators, who participate in lawful investigative activities;
- (d)** engage in conduct that is prejudicial to the administration of justice;
- (e)** state or imply an ability to influence improperly a government agency or official or to achieve results by means that violate the Rules of Professional Conduct or other law;
- (f)** knowingly assist a judge or judicial officer in conduct that is a violation of applicable rules of judicial conduct or other law;
- (g)** engage in conduct, in the representation of a client, that exhibits or is intended to appeal to or engender bias against a person on account of that person's race, gender, religion, national origin, disability, age, sexual orientation, or socioeconomic status, whether that conduct is directed to other counsel, court personnel, witnesses, parties, judges, judicial officers, or any persons involved in the legal process;
- (h)** engage in any conduct that directly, intentionally, and wrongfully harms others and that adversely reflects on a lawyer's fitness to practice law; or
- (i)** engage in conduct the lawyer knows or reasonably should know constitutes sexual harassment where the conduct occurs in connection with the lawyer's professional activities.

Credits

Repealed and readopted April 12, 2007, effective January 1, 2008. Amended effective September 28, 2017; September 19, 2019; December 6, 2019.

Rules of Prof. Cond., Rule 8.4, CO ST RPC Rule 8.4

Current with amendments received through September 1, 2021.

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STATUTES

United States Code Annotated
Title 35. Patents (Refs & Annos)
Part III. Patents and Protection of Patent Rights
Chapter 29. Remedies for Infringement of Patent, and Other Actions (Refs & Annos)

35 U.S.C.A. § 285

§ 285. Attorney fees

Currentness

The court in exceptional cases may award reasonable attorney fees to the prevailing party.

CREDIT(S)

(July 19, 1952, c. 950, 66 Stat. 813.)

35 U.S.C.A. § 285, 35 USCA § 285

Current through PL 117-39.

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KeyCite Yellow Flag - Negative Treatment
Proposed Legislation

United States Code Annotated
Title 35. Patents (Refs & Annos)
Part III. Patents and Protection of Patent Rights
Chapter 31. Inter Partes Review (Refs & Annos)

35 U.S.C.A. § 315

§ 315. Relation to other proceedings or actions

Effective: September 16, 2012

[Currentness](#)

(a) Infringer's Civil Action.--

(1) Inter partes review barred by civil action.--An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) Stay of civil action.--If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either--

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) Treatment of counterclaim.--A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) Patent Owner's Action.--An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) Joinder.--If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under [section 311](#) that the Director, after receiving a preliminary response under [section 313](#) or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under [section 314](#).

(d) Multiple Proceedings.--Notwithstanding [sections 135\(a\)](#), [251](#), and [252](#), and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) Estoppel.--

(1) Proceedings before the Office.--The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under [section 318\(a\)](#), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) Civil actions and other proceedings.--The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under [section 318\(a\)](#), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under [section 1338 of title 28](#) or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

CREDIT(S)

(Added [Pub.L. 106-113](#), Div. B, § 1000(a)(9) [Title IV, § 4604(a)], Nov. 29, 1999, 113 Stat. 1536, 1501A-569; amended [Pub.L. 107-273](#), Div. C, Title III, §§ 13106(a), 13202(a)(4), (c)(1), Nov. 2, 2002, 116 Stat. 1900, 1901, 1902; [Pub.L. 112-29](#), § 6(a), Sept. 16, 2011, 125 Stat. 300.)

35 U.S.C.A. § 315, 35 USCA § 315
Current through PL 117-39.

USPTO PROCEEDINGS

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of

Christopher D. Harrington,

Respondent

)
)
)
)
)
)

Proceeding No. D2012-14

FINAL ORDER

The Deputy General Counsel for Enrollment and Discipline and Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Christopher D. Harrington (“Respondent”) have submitted a proposed settlement agreement (“Agreement”) to the Under Secretary of Commerce for Intellectual Property and USPTO Director for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusions, and sanctions.

Jurisdiction

1. At all times relevant hereto, Respondent has been an attorney registered to practice before the USPTO and is subject to the Disciplinary Rules of the USPTO Code of Professional Responsibility set forth at 37 C.F.R. § 10.20 et seq. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.20 and 11.26.

Stipulated Facts

Background

2. Respondent of Grand Rapids, Michigan, is an attorney registered to practice patent law before the Office (Registration Number 34,837).

3. Invention Submission Corporation (“ISC”) is a company that solicited and contracted with inventors who hoped to obtain patents on their inventions. ISC arranged with patent practitioners, like Respondent, to prosecute patent applications for the inventors before the Office.

Representation of ISC-Referred Clients

4. Between 2005 and 2008, many inventors entered into contracts with ISC to assist them in obtaining patents on their inventions.

5. Between 2005 and 2008, ISC referred a significant volume of clients to Respondent, including W.J. and others (hereinafter referred to as "the ISC-referred clients").

6. ISC allegedly placed the funds paid by the ISC-referred clients for patent legal services in an escrow account maintained by a third-party. Thereafter, it sent the ISC-referred clients' patent application materials to Respondent.

7. Respondent and the ISC-referred clients entered into respective attorney-client relationships wherein Respondent agreed to prepare, file, and prosecute their patent applications before the Office.

8. Generally speaking, during the course of the attorney-client relationship:

- a. Respondent did not speak directly with ISC-referred clients about their inventions, the patent legal services he intended to render on their behalf, the patentability opinion prepared for the ISC-referred clients, or the patent prosecution process before the Office;
- b. Respondent did not divulge the actual or potential conflict of interest that ISC's purported escrowing of attorney fees presented to Respondent's representation of ISC-referred clients' interests.
- c. Respondent did not divulge his business relationship with ISC to ISC-referred clients nor the actual or potential conflict of interest the business relationship presented to Respondent's representation of their interests, nor did Respondent obtain ISC-referred clients' consent after full disclosure to represent them in light of Respondent's business relationship with ISC; and
- d. During the course of the prosecution of their patent applications, Respondent did not engage in pre-filing discussions with ISC-referred clients about their patent applications; did not timely inform ISC-referred clients of Office actions he received on their behalf nor explain the significance of the Office actions; did not counsel ISC-referred clients on options when responding to Office actions; did not advise ISC-referred clients about the legal consequences of not responding to Office actions; did not assist ISC-referred clients in making decisions regarding Office actions but, instead, took action on their applications without their knowledge; did not keep ISC-referred clients fully and timely apprised of the status of their applications directly; allowed certain applications of ISC-referred clients to become abandoned without the clients' consent; and did not provide legal advice to an ISC-referred client when the client's patent application became abandoned.
- e. Respondent voluntarily ceased receiving client referrals from ISC in 2008.

Legal Conclusions

9. Based on the information contained in the Stipulated Facts, Respondent acknowledges that his conduct violated:

- a. 37 C.F.R. §§ 10.23(a) and (b) via 10.23(c)(8) by failing to inform clients of correspondence received from the Office when the correspondence
(i) could have a significant effect on a matter pending before the Office,
(ii) is received by the practitioner on behalf of a client or former client, and
(iii) is correspondence of which a reasonable practitioner would believe under the circumstances the client or former client should be notified;
- b. 37 C.F.R. § 10.62(a) by not refusing employment and, instead, accepting referred clients from a referring entity without the consent of the referred client after full disclosure, including not adequately describing the escrow and payment arrangement for patent legal services performed for the referred clients, where the exercise of Respondent's professional judgment on behalf of the referred client will be or reasonably may be affected by the practitioner's own financial, business, property, or personal interests (e.g., Respondent's business relationship with the referring entity);
- c. 37 C.F.R. § 10.66(a) by not declining employment from a referring entity where the exercise of Respondent's independent professional judgment on behalf of a client will be or is likely to be adversely affected by the acceptance of the proffered employment or if it would be likely to involve Respondent in representing differing interests; and
- d. 37 C.F.R. § 10.77(c) by failing to act on legal matters entrusted to him, including not communicating with referred clients adequately and in a timely manner about their applications.

Mitigating Factors

10. Respondent has no prior disciplinary history before the Office during the over twenty years he has been registered as a patent practitioner.

11. Respondent experienced a serious medical condition that impaired his ability to practice law and allegedly adversely affected his judgment during a portion of the period that he represented ISC-referred clients.

12. Respondent fully cooperated with the Office of Enrollment and Discipline during the investigation and resolution of this matter.

Sanction

13. Respondent agrees, and it is ORDERED that:

- a. Respondent be, and hereby is, suspended from practicing patent, trademark, and other non-patent law before the USPTO for thirty-six (36) months commencing on the date the Final Order is signed;
- b. Respondent be, and hereby is, granted limited recognition to practice before the Office beginning on the date the Final Order is signed and expiring thirty (30) days after the date the Final Order is signed for the sole purpose of facilitating Respondent's compliance with the provisions of 37 C.F.R. § 11.58(b);
- c. Respondent shall comply with 37 C.F.R. 11.58;
- d. The USPTO shall dissociate Respondent's name from any Customer Numbers and the public key infrastructure ("PKI") certificate associated with those Customer Numbers;
- e. Respondent shall not apply for or obtain a USPTO Customer Number, or have his name added to a Customer number, unless and until he is reinstated to practice before the USPTO;
- f. At any time after six (6) months from the date the Final Order is signed, Respondent may file a petition for reinstatement pursuant to 37 C.F.R. § 11.60 requesting reinstatement effective prior to the expiration of the 36-month period of suspension set forth in subparagraph a., above;
- g. Respondent shall remain suspended from the practice of patent, trademark, and non-patent law before the USPTO until the OED Director grants a petition requesting Respondent's reinstatement;
- h. Respondent shall serve a twenty-four (24) month period of probation beginning on the date the OED Director grants a petition pursuant to 37 C.F.R. § 11.60 reinstating Respondent ("Respondent's probationary period")
- i. (1) If the OED Director is of the opinion that Respondent, during Respondent's probationary period, failed to comply with any provision of this Final Order or any Disciplinary Rule of the USPTO Code of Professional Responsibility, the OED Director shall:

(A) issue to Respondent an Order to Show Cause why the USPTO Director should not enter an order immediately suspending Respondent for up to an additional thirty (30) months for the violations set forth in paragraph 9, above;

(B) send the Order to Show Cause to Respondent at the last address of record Respondent furnished to the OED Director pursuant to 37 C.F.R. § 11.11; and

(C) grant Respondent fifteen (15) days to respond to the Order to Show Cause;

and

(2) If after the 15-day period for response and consideration of the response, if any, received from Respondent, the OED Director continues to be of the opinion that Respondent, during Respondent's probationary period, failed to comply with any provision of this Final Order or any Disciplinary Rule of the USPTO Code of Professional Responsibility, the OED Director shall:

(A) deliver to the USPTO Director: (i) the Order to Show Cause, (ii) Respondent's response to the Order to Show Cause, if any, and (iii) evidence and argument causing the OED Director to be of the opinion that Respondent, during Respondent's probationary period, failed to comply with any provision of this Final Order or any Disciplinary Rule of the USPTO Code of Professional Responsibility, and

(B) request that the USPTO Director enter an order immediately suspending Respondent for up to an additional thirty (30) months for the violations set forth in paragraph 9, above;

j. If, Respondent is suspended during his probationary period pursuant to the provisions of the preceding subparagraph:

(1) the OED Director shall disseminate information in accordance with 37 C.F.R. § 11.59;

(2) the USPTO shall promptly dissociate Respondent's name from all USPTO Customer Numbers and PKI certificates; and

(3) Respondent may not apply for or obtain a USPTO Customer Number unless and until he is reinstated to practice before the USPTO;

k. In the event that the USPTO Director enters an order pursuant to this Final Order suspending Respondent, and Respondent seeks a review of the USPTO Director's action, any such review shall not operate to postpone or otherwise hold in abeyance the USPTO Director's order;

- l. The OED Director shall publish the Final Order at the Office of Enrollment and Discipline's Reading Room electronically located at:
<http://des.uspto.gov/Foia/OEDReadingRoom.jsp>;
- m. The OED Director shall publish in the *Official Gazette* a notice materially consistent with the following;

Notice of Suspension and Probation

This notice concerns Christopher D. Harrington of Grand Rapids, Michigan, a registered patent attorney (Registration No. 34,837). The United States Patent and Trademark Office ("USPTO" or "Office") has suspended Respondent from practicing patent, trademark, and other non-patent law before the Office for thirty-six months for violating 37 C.F.R. §§ 10.23(a) and (b) via 37 C.F.R. § 10.23(c)(8) by failing to inform clients of correspondence received from the Office when the correspondence (i) could have a significant effect on a matter pending before the Office, (ii) is received by the practitioner on behalf of a client or former client, and (iii) is correspondence of which a reasonable practitioner would believe under the circumstances the client or former client should be notified; § 10.62(a) by not refusing employment and, instead, accepting referred clients from a referring entity without the consent of the referred client after full disclosure, including not adequately describing the escrow and payment arrangement for patent legal services performed for ISC-referred clients, where the exercise of a practitioner's professional judgment on behalf of the referred client will be or reasonably may be affected by the practitioner's own financial, business, property, or personal interests (e.g., Mr. Harrington's business relationship with the referring entity); § 10.66(a) by not declining employment from a referring entity where the exercise of Mr. Harrington's independent, professional judgment on behalf of a client would be or was likely to be adversely affected by the acceptance of the proffered employment or if it would be likely to involve Mr. Harrington in representing differing interests; and § 10.77(c) by failing to act on legal matters entrusted to him, including not communicating with referred clients adequately and in a timely manner.

Under the terms of the settlement agreement, Mr. Harrington is eligible to request reinstatement after serving six months of his 36-month suspension subject to certain conditions and, if reinstated, Mr. Harrington will be permitted to practice before the Office. Mr. Harrington is also required to serve a probationary period.

Invention Submission Corporation ("ISC") is a company that solicited and contracted with inventors who hoped to obtain patents on their inventions. ISC arranged with patent practitioners, like Mr. Harrington, to prosecute patent applications for the inventors before the Office. Between 2005 and

2008, ISC referred a significant volume of clients to Mr. Harrington. Generally speaking: (a) Mr. Harrington did not speak with ISC-referred clients about their inventions, the patent legal services he intended to render on their behalf, the patentability opinion provided by ISC, or the patent prosecution process before the Office; (b) Mr. Harrington did not divulge the actual or potential conflict of interest that ISC's purported escrowing of attorney fees presented to Mr. Harrington's representation of ISC-referred clients' interests; (c) Mr. Harrington did not divulge his business relationship with ISC to ISC-referred clients nor the actual or potential conflict of interest that it presented in representing their interests, nor did he obtain ISC-referred clients' consent after full disclosure to represent them in light of his business relationship with ISC; and (d) during the course of the prosecution of their patent applications: Mr. Harrington did not engage in pre-filing discussions with ISC-referred clients about their patent applications and the documents accompanying the initial filing of patent applications, did not timely inform ISC-referred clients of Office actions, did not adequately explain to ISC-referred clients the significance of Office actions, did not adequately counsel ISC-referred clients on options when responding to Office actions, did not adequately advise ISC-referred clients about the legal consequences of those options, did not adequately advise ISC-referred clients about the legal consequences of not responding to Office actions, did not adequately assist ISC-referred clients in making decisions regarding Office actions, took action on their applications without their knowledge, did not keep ISC-referred clients fully and timely apprised of the status of their applications directly and/or through adequate supervision of his staff, allowed certain applications of ISC-referred clients to become abandoned without the clients' consent, and did not provide sufficient legal advice to an ISC-referred client when the client's patent application became abandoned. Mr. Harrington voluntarily discontinued receiving referrals from ISC in 2008.

The OED Director considered the following mitigating factors in reaching this settlement: (a) Mr. Harrington has no prior disciplinary history before the Office during the over twenty years he has been registered as a patent practitioner; (b) Mr. Harrington experienced a serious medical condition that impaired his ability to practice law and affected his judgment during a portion of the period that he represented ISC-referred clients; and (c) Mr. Harrington cooperated with the Office of Enrollment and Discipline during the investigation and resolution of this matter.

This action is taken pursuant to a settlement agreement between Mr. Harrington and the USPTO pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.20, 11.26, and 11.59. Disciplinary decisions regarding practitioners are posted electronically in

the Office of Enrollment and Discipline's Reading Room located at:
<http://des.uspto.gov/Foia/OEDReadingRoom.jsp>.

- n. Pursuant to 37 C.F.R. § 11.59, the OED Director shall give notice of the public discipline and the reasons for the discipline to disciplinary enforcement agencies in the state(s) where Respondent is admitted to practice, to courts where Respondent is known to be admitted, and to the public;
- o. Nothing in the Agreement or this Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including this Final Order, (1) when addressing any further complaint or evidence of the same or similar misconduct brought to the attention of the Office concerning Respondent, and/or (2) in any future disciplinary proceeding concerning Respondent: (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed and/or (ii) to rebut any statement or representation by or on Respondent's behalf; and
- p. The OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of this agreement.

APR 18 2012

Date



JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

on behalf of

David M. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

William R. Covey
Deputy General Counsel for Enrollment and Discipline and
Director of the Office of Enrollment and Discipline

Christopher D. Harrington
2647 Trails End Drive SE
Grand Rapids, MI 49546-6356

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of:)	
)	
George R. Reardon,)	
	)	Proceeding No. D2012-19
Respondent)	
)	
_____)	

FINAL ORDER

Pursuant to 37 C.F.R. § 11.27, the Director of the United States Patent and Trademark Office ("USPTO" or "Office") received for review and approval from the Deputy General Counsel for Enrollment and Discipline and Director of the Office of Enrollment and Discipline ("OED Director") an Affidavit of Resignation Pursuant to 37 C.F.R. § 11.27 executed by George R. Reardon ("Respondent") on May 4, 2012. Respondent submitted the affidavit to the USPTO for the purpose of being excluded on consent pursuant to 37 C.F.R. § 11.27.

For the reasons set forth herein, Respondent's Affidavit of Resignation shall be approved, and Respondent shall be excluded on consent from practice before the Office effective the date of this Final Order.

Jurisdiction

Respondent is a registered patent agent (Registration No. 53,505). Respondent is subject to the USPTO Code of Professional Responsibility and Disciplinary Rules. *See* 37 C.F.R. § 11.19(a). Accordingly, pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. § 11.27, the USPTO Director has the authority to approve Respondent's Affidavit of Resignation and to exclude Respondent on consent from the practice of patent, trademark, and other non-patent law before the Office.

Respondent's Affidavit of Resignation

Respondent acknowledges in his May 4, 2012 Affidavit of Resignation that:

1. His consent is freely and voluntarily rendered, and he is not being subjected to coercion or duress. *See* Affidavit of Resignation Pursuant to 37 C.F.R. § 11.27 at ¶ 2.
2. He is aware that there is a disciplinary complaint currently pending against him before a hearing officer (USPTO Disciplinary Proceeding No. 2012-19) and that the complaint is comprised of allegations of misconduct in connection with acts taken while he was President and Executive Director of the National Association of Patent Practitioners ("NAPP"), including allegations that he misappropriated at least \$116,894.80 in NAPP funds and provided false annual financial reports to NAPP. *Id.* at ¶ 7.
3. He is aware that the OED Director is of the opinion that:
 - a. He violated 37 C.F.R. § 10.23(a) (proscribing engaging in disreputable or gross misconduct) by misappropriating NAPP funds, using NAPP funds and the NAPP credit card for personal use without authorization, submitting false financial reports to NAPP, and/or breaching the fiduciary duties of utmost good faith, loyalty, trust, and confidence that he owed to NAPP;
 - b. He violated 37 C.F.R. § 10.23(b)(3) (proscribing engaging in illegal conduct involving moral turpitude) by violating Georgia Code § 16-8-2 (theft by taking), Georgia Code § 16-8-3 (theft by deception), and/or Georgia Code § 16-8-4 (theft by conversion);
 - c. He violated 37 C.F.R. § 10.23(b)(4) (proscribing engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation) by misappropriating NAPP funds, using NAPP funds and the NAPP credit card for personal use without authorization, and/or submitting false financial reports to NAPP that concealed his misconduct; and
 - d. He violated 37 C.F.R. § 10.23(b)(6) (proscribing engaging in other conduct that adversely reflects on the practitioner's fitness to practice before the USPTO) by engaging in the acts and omissions described expressly or impliedly in the pending disciplinary complaint.

Id. at ¶ 8.

4. Without admitting to violating any of the Disciplinary Rules of the USPTO Code of Professional Responsibility as alleged in the complaint currently pending against him, he acknowledges that, if and when he applies for reinstatement under 37 C.F.R. § 11.60, the OED Director will conclusively presume, for the limited purpose of determining the application for reinstatement, that (i) the allegations set forth in the disciplinary complaint pending against him are true and (ii) he could not have successfully defended himself against such allegations. *Id.* at ¶ 9.

5. He has fully read and understands 37 C.F.R. §§ 11.27, 11.58, 11.59, and 11.60, and is fully aware of the legal and factual consequences of requesting and consenting to exclusion from practice before the USPTO. *Id.* at ¶ 6.

6. He consents to being excluded from practice before the USPTO. *See id.*

Exclusion on Consent

Based on the foregoing, the USPTO Director has determined that Respondent's Affidavit of Resignation complies with the requirements of 37 C.F.R. § 11.27(a). Hence, it is ORDERED that:

- a. Respondent's Affidavit of Resignation shall be, and hereby is, approved;
- b. Respondent shall be, and hereby is, excluded on consent from the practice of patent, trademark, and other non-patent law before the Office effective the date of this Final Order;
- c. The OED Director shall publish this Final Order at the Office of Enrollment and Discipline's Reading Room found at: <http://des.uspto.gov/Foia/OEDReadingRoom.jsp>;
- d. The OED Director shall publish the following notice in the *Official Gazette*:

Notice of Exclusion on Consent

This notice concerns George R. Reardon, a registered patent practitioner (Registration No. 53,505). The Director of the United States Patent and Trademark Office ("USPTO" or "Office") has accepted Mr. Reardon's affidavit of resignation and ordered his exclusion on consent from the practice of patent, trademark, and non-patent law before the Office.

Mr. Reardon voluntarily submitted his affidavit at a time when a disciplinary complaint was pending against him. He acknowledged that the Director of the USPTO's Office of Enrollment and Discipline ("OED Director") was of the opinion that his conduct violated 37 C.F.R. §§ 10.23(a), 10.23(b)(3), 10.23(b)(4), and 10.23(b)(6) in connection with acts taken while he was President and Executive Director of the National Association of Patent Practitioners ("NAPP"), including allegations that he misappropriated at least \$116,894.80 in NAPP funds and provided false annual financial reports to NAPP. While Mr. Reardon did not admit to violating any of the Disciplinary Rules of the USPTO Code of Professional Responsibility, as alleged in the disciplinary complaint, he acknowledged that, if and when he applies for reinstatement, the OED Director will conclusively presume, for the limited purpose of determining the application for reinstatement, that (i) the allegations set forth in the disciplinary complaint against him are true and (ii) he could not have successfully defended himself against such allegations.

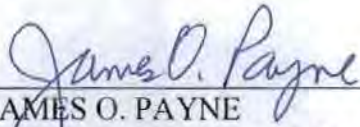
This action is taken pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.27 and 11.59. Disciplinary decisions involving practitioners are posted for public reading at the Office of Enrollment and Discipline Reading Room located at:

<http://des.uspto.gov/Foia/OEDReadingRoom.jsp>.

- e. Respondent shall comply with 37 C.F.R. § 11.58;
- f. The OED Director shall comply with 37 C.F.R. § 11.59;;
- g. Respondent shall comply with 37 C.F.R. § 11.60, if and when he seeks reinstatement to practice before the Office;
- h. The OED Director and Respondent shall bear their own costs incurred to date and in carrying out the terms of this agreement; and

i. The OED Director and Respondent shall jointly move to dismiss the pending disciplinary complaint within fourteen days of the date of this Final Order.

JUN 4 2012
Date


JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

on behalf of

David M. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc:

Director of the Office of Enrollment and Discipline
U.S. Patent and Trademark Office

George R. Reardon
3356 Station Court
Lawrenceville, GA 30044

Robert J. Spar
3201 Birchtree Lane
Silver Spring, Maryland 20906
Counsel for Respondent

Notice of Exclusion on Consent

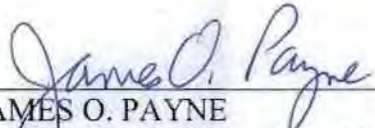
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Mr. Reardon voluntarily submitted his affidavit at a time when a disciplinary complaint was pending against him. He acknowledged that the Director of the USPTO's Office of Enrollment and Discipline ("OED Director") was of the opinion that his conduct violated 37 C.F.R. §§ 10.23(a), 10.23(b)(3), 10.23(b)(4), and 10.23(b)(6) in connection with acts taken while he was President and Executive Director of the National Association of Patent Practitioners ("NAPP"), including allegations that he misappropriated at least \$116,894.80 in NAPP funds and provided false annual financial reports to NAPP. While Mr. Reardon did not admit to violating any of the Disciplinary Rules of the USPTO Code of Professional Responsibility, as alleged in the disciplinary complaint, he acknowledged that, if and when he applies for reinstatement, the OED Director will conclusively presume, for the limited purpose of determining the application for reinstatement, that (i) the allegations set forth in the disciplinary complaint against him are true and (ii) he could not have successfully defended himself against such allegations.

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JUN 4 2012

Date


JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

on behalf of

David M. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR
OF THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of)	
)	
Leonard Tachner,)	
)	
Respondent	)	Proceeding No. D2012-30
_____)	

FINAL ORDER

The Deputy General Counsel for Enrollment and Discipline and Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Leonard Tachner (“Respondent”) have submitted a Proposed Settlement Agreement (“Agreement”) to the Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office (“USPTO Director”) for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusions, and sanctions.

Jurisdiction

1. At all times relevant hereto, Respondent of Irvine, California, has been a registered patent attorney (Registration No. 26,344) and subject to the USPTO Code of Professional Responsibility and Disciplinary Rules set forth at 37 C.F.R. § 10.20 *et seq.*
2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19 and 11.26.

Stipulated Facts

A. Background

3. The USPTO registered Respondent as a patent agent on February 7, 1972, and as a patent attorney on March 1, 1974.
4. Respondent’s registration number is 26,344.
5. At all relevant times, Respondent was a solo practitioner who employed only an office manager and a clerical assistant to work on a full-time basis at his law firm.

6. In matters pertaining to this Agreement, Respondent's docketing system up until 2005 consisted of handwritten docket entries in a docket book and entries from the docket book onto a "white board." The white board was updated monthly and included three months of data. The entries on the white board consisted of only three columns: the attorney docket number, the type of action, and the due date. The docket book included the aforesaid three columns as well as a column for action taken in response and a column for response date. As papers came in from the USPTO, a handwritten line entry of the attorney docket number, type of action, and due date for the action was made. When action was taken, the action taken in response and the response due were handwritten in the line entry after the due date. If a required action was not taken by the due date, the action remained on the white board for a few months. Thereafter, if the action was still not taken, it was removed from the white board without the action ever being taken. In 2005, Respondent abandoned the use of the white board and the two-person staff began to keep the docket book data in a listing using Microsoft Word. The Word listing became the sole docketing system for Respondent's firm; no back up calendar existed. The Word listing does not use a table. Instead, all data for each application/patent is entered on a single line as a data string consisting of attorney docket number, type of action, due date, and if action was taken, the action and response date. The entire Word listing is printed monthly. Respondent did not have a back-up docketing system. Nor did Respondent perform a regularly scheduled inventory of his files to verify the integrity of the docket report or Word listing.

7. Papers received from the USPTO were reviewed by the office manager, matched with a file, and sent to the clerical assistant who entered the dates in the docketing system. When actions were due in cases based on the docket sheet, the files were put on Respondent's desk. Respondent relied solely on this "manual" docketing system to inform him of any upcoming due dates. Respondent did not have an automated tickler system. Respondent investigated such systems, but chose not to purchase one.

8. When a patent issued, it was the practice of Respondent's clerical assistant to enter all of the maintenance fee due dates in the contents portion of the file jacket by handwriting the dates thereon. The due dates were also entered in the Word listing. Respondent's office manager testified that, at some point, the firm implemented a system where reminder letters were sent to clients in advance of upcoming due dates. With respect to payment of maintenance fees, Respondent's office manager testified that once a firm client indicated that it was going to take responsibility for payment of the maintenance fees, the firm did not take any further action regarding that patent. If a client gave the firm an instruction not to pay the maintenance fees or advised that the client would pay the fees, the file was endorsed with the notation "client to pay annuities" or "client will pay" or "client pays" or "Client will pay fees."

B. Representation of Crank Brothers in U.S. Patent No. 6,205,885

9. The application for U.S. Patent No. 6,205,885 ("the '885 patent") was prepared and prosecuted to allowance by the inventors, Carl Winefordner and Frank Hermansen. Respondent asserts that he played no part in the preparation or prosecution of the application on which the '885 patent was issued.

10. The '885 patent issued on March 27, 2001. Shortly thereafter, Mr. Winefordner and Mr. Hermansen delivered a copy of the patent to Respondent.

11. On or before May 17, 2004, a file jacket containing a copy of the '885 patent was created by Respondent's office and assigned Attorney Docket No. SLIP-21.

12. A post card receipt shows that a change of address was received at the USPTO for SLIP-21 on May 17, 2004. Since the Notice of Patent Expiration, infra at ¶ 25, was mailed to Respondent's office address in Irvine, California, it is presumed that the change of correspondence address filed in the Office was an instruction to change the correspondence address from Mr. Winefordner and Mr. Hermansen to Respondent's office address, so that all future correspondence from the Office regarding the '885 patent would be sent to Respondent.

13. Payment of the first maintenance fee for the '885 patent was due September 28, 2004. Respondent did not have a written engagement letter or written agreement with Mr. Winefordner, Mr. Hermansen, or California Crank Brothers, Inc. ("Crank Brothers") that Respondent was responsible for payment of maintenance fees for the '855 patent.¹ However, Respondent had previously made maintenance fee payments on Crank Brothers patents handled by his office prior to 2004.

14. Respondent's office manager testified that sometime between May and September of 2004, one or both of the inventors of the '885 patent informed her that they would pay the maintenance fees for the '885 patent themselves. Both Mr. Winefordner and Mr. Hermansen filed declarations indicating that they did not give this instruction to Respondent's office manager.

15. Based on her understanding of the instructions from Mr. Winefordner or Mr. Hermansen, Respondent's office manager testified that she entered the notation "client to pay annuities" on the file jacket of the '885 patent.

16. The maintenance fees on the '885 patent were not paid and the patent expired on March 28, 2005.

17. A Notice of Patent Expiration for the '885 patent was mailed on April 27, 2005 to Respondent at his business address in Irvine, California. Respondent's office staff did not place the Notice in the SLIP-21 file. No one in Respondent's office notified Mr. Winefordner or Mr. Hermansen of the Notice of Patent Expiration or took any action in response to the Notice of Patent Expiration.

¹ On September 8, 2006, Mr. Winefordner and Mr. Hermansen assigned the '885 patent to California Crank Brothers, Inc. The assignment was recorded in the USPTO on September 9, 2006. The name California Crank Brothers, Inc. was later changed to Crankbrothers, Inc. No name change was recorded in the USPTO.

18. On Thursday, September 27, 2007, at a trade show, Mr. Winefordner learned from a vendor that the maintenance fee for the '885 patent had not been paid and that the patent had expired.

19. On October 3, 2007, Mr. Winefordner informed Respondent's office manager that the '885 patent had expired due to failure to pay the maintenance fee. Respondent's office manager emailed Mr. Winefordner and stated: "I will file a petition for SLIP-21, but I won't have any feedback today because they are three hours ahead." Respondent claimed that he never received the April 27, 2005 Notice of Patent Expiration and, instead, first learned from his office manager on October 3, 2007, that the '885 patent had expired because the maintenance fee had not been paid.

20. On October 18, 2007, Respondent filed a Petition for Acceptance of Delayed Payment of Maintenance Fee ("Petition") in the '885 patent, asserting confusion between his office and the patentees (Mr. Winefordner and Mr. Hermansen) as to who was responsible to pay the maintenance fee. Mr. Winefordner declared that neither he nor anyone else at Crank Brothers received a copy of the Petition from Respondent.

21. The Petition included declarations from Respondent and his office manager. The office manager's declaration included a copy of the file jacket for SLIP-21 showing the notation "client to pay annuities" and a copy of a docket sheet for September 2004 noting that the maintenance fee for SLIP-21 was due on September 27, 2004, but with an entry that "client said they will pay."

22. On March 27, 2008, Respondent's office manager sent Mr. Winefordner an email stating, in pertinent part: "SLIP-21, I have checked with the USPTO but they haven't made a decision yet." Mr. Winefordner replied asking what he or Mr. Hermansen could do to expedite a decision on the petition and expressing his worry that "our patent is not active." Respondent was not copied on the email and there is no evidence that Respondent was aware of the email or its contents.

23. On April 9, 2008, the Petition was dismissed because Respondent had not established that the delay in payment of the maintenance fee was unavoidable. A copy of the decision was mailed to Respondent at his Irvine, California, business address. Any request for reconsideration to the decision was due June 9, 2009. However, Respondent's docket sheet for the period from April 30, 2008 to June 13, 2008 did not show an entry for SLIP-21 of the April 9th decision or a due date to respond to the decision.

24. Respondent claims that he did not become aware of the April 9, 2008 decision until Friday, July 11, 2008. He asserts that the decision was brought to his attention by Mr. Winefordner and Mr. Hermansen at a meeting with Respondent.

25. Respondent claims that, on Monday, July 14, 2008, he obtained a copy of the decision and read it for the first time.

26. On July 31, 2008, Respondent filed a request for reconsideration of the April 9th decision. The request included declarations from Mr. Winefordner and Mr. Hermansen and a second declaration from Respondent's office manager.

27. In the request for reconsideration, Respondent again asserted that there was confusion as to who would pay the maintenance fees. Respondent stated in the request that his office manager had "made a profound clerical error based on her misunderstanding of the instructions from the client."

28. The request for reconsideration included a declaration by Mr. Winefordner stating that "Frank Hermansen and I have a long history with the Law Offices of [Respondent]. In all cases involving patents for us, [Respondent's] office has paid for our maintenance fees" Mr. Winefordner further declared: "I am 100% sure that I gave [Respondent's] secretary, [Respondent's office manager], instructions to pay the maintenance fees on our '885 patent and I am without any doubt sure that I never told her that I or we would pay it ourselves. I specifically told [Respondent's office manager] this in person while Frank [Hermansen] and I visited the law office."

29. The request for reconsideration also included a declaration by Mr. Hermansen, who declared: "I recall that [Mr. Winefordner and I] paid the ['885] patent issue fee directly and then met with [Respondent's] secretary, [Respondent's office manager], to request that the Law Office of [Respondent] take over responsibility for this patent including payment of future maintenance fees."

30. On October 15, 2008, the request for reconsideration was granted and the Office reinstated the '885 patent. Respondent acknowledges that he received a copy of this order.

31. On April 14, 2009, pursuant to a request from the Crank Brothers, Respondent was discharged as patent counsel and instructed to transfer all of the SLIP matters to new counsel, Haynes and Boone, LLP.

32. On June 3, 2009, the Director of the USPTO Office of Petitions issued a "corrected" decision and reversed the October 15, 2008 decision, finding that Respondent had not established unavoidable delay. The decision stated that the "facts as set forth in the [office manager's] declaration do not show that any error in docketing was made ..." and that "[w]hat the facts of the record show is that there was confusion between the client and the attorney over who would pay the maintenance fee." The decision further stated that "[i]t is impossible to say which version of the facts is accurate, [the office manager's] or Winefordner's and Hermansen's," and concluded that Respondent did not carry the burden to establish unavoidable delay. The Office found that, based on their declarations, it was reasonable for Mr. Winefordner and Mr. Hermansen to rely on Respondent to track and pay maintenance fees. The June 3rd decision was mailed to Respondent at his business address. Respondent asserts that he was not aware of this "corrected" decision until informed of it on or about February 17, 2010 by Crank Brothers' new counsel. The next day, the Office refunded the maintenance fees paid on the '885 patent to Respondent's USPTO deposit account.

33. On or about December 15, 2009, Mr. Winefordner became aware, through other patent counsel, that the '885 patent was expired. This fact was verified by the new counsel for Crank Brothers, Thomas Chen.

34. On or about February 17, 2010, Mr. Chen telephoned Respondent to inquire about the status of the '885 patent. According to Mr. Chen, Respondent "told me that he believed [the '885 patent] was still in force since the last correspondence he received from the USPTO was a Decision dated October 15, 2008 which granted a Petition for Acceptance of Delayed Payment of Maintenance Fees for [the '885 patent]." Further, according to Mr. Chen, Respondent "stated that he had not received any correspondence from the USPTO which indicated that [the '885 patent] had expired and that none of the maintenance fees he paid for [the '885 patent] had been credited to his Deposit Account with the USPTO."

35. On July 7, 2010, Mr. Chen sent an email to Respondent and asked him if he had copies of any maintenance fee correspondence with the PTO or Crank Brothers. Respondent replied: "Tom, I don't remember any special treatment of the Crank Brothers files, but as a general rule we don't keep separate files for maintenance fees."

36. On July 21, 2010, the new attorneys on behalf of Crank Brothers filed a Supplemental Petition for Reconsideration and Acceptance of Delayed Payment in '885. In support of that petition, they asserted that the copies of the file jackets for SLIP-2, SLIP-2/cip, SLIP-3, SLIP-5/cip, SLIP-6 and SLIP-20,² attached to the office manager's declaration submitted to the Office with the Petition filed October 18, 2007, were fabricated because the file wrappers received by new counsel for Crank Brothers when the files were transferred did not include the entries "client to pay annuities." In addition, the copy of the SLIP-21 file jacket presented in the July 21st petition shows that the notation "client to pay annuities" is crossed out and a notation "pd 10-18-07" entered and further, for the fee due September 27, 2008, the file jacket contained the notation "pd 11-6-08 w/sur" (i.e., the fee was paid on November 6, 2008 with a surcharge). In his declaration, Mr. Chen stated: "The original file jacket covers for Crank Brothers' U.S. patent matters that were transferred to Haynes and Boone by Tachner do not include any erasures, white-outs, or coverups, and the only changes to such file covers that were made by Haynes and Boone are the addition of a tracking label in the upper left corner and an attorney docket number in the upper right corner."

37. The attorneys for Crank Brothers who filed the July 21st petition asserted that, in view of what they observed in the record of the '885 patent, "the only explanation for the discrepancy between [the copies of the file jackets submitted with Respondent's office manager's declaration and those submitted with the July 21st petition] is that [Respondent] or his staff made photocopies of the respective file covers, entered the handwritten notations on the photocopies, made photocopies of the hand-altered photocopies and submitted them under oath as being true copies of the file covers." Neither Mr. Chen nor the attorneys who filed the petition

² SLIP-2, SLIP-2/cip, SLIP-3, SLIP-5/cip, SLIP-6 and SLIP 20 are U.S. Patent Nos. 5,676,529; 6,027,319; 5,857,509; 6,059,245; 6,851,189; and 7,225,703, respectively; all were issued to Mr. Winefordner and Mr. Hermansen and prosecuted by Respondent.

interviewed Respondent, his office manager, or his clerical assistant to verify this representation to the USPTO.

38. Respondent's office manager and clerical assistant both testified that the office manager had used a technique to update SLIP file jackets without damaging the file. When a patent was issued, the clerical assistant entered all of the due dates by hand on the patent file jacket. It was Respondent's office manager's belief, based on conversations she had with Mr. Winefordner or Mr. Hermansen, that they had assumed responsibility for payment of the maintenance fees. So the notation, "client to pay annuities" or "client will pay" or "client pays," was endorsed on the SLIP files. The entries were made by placing removable transparent tape on the file jacket and writing the entries in ink on the transparent tape. The tape was used where further client instructions could change the status. The endorsement could be later made permanent or updated by removing the tape and endorsing the status in permanent ink on the file jacket. When the Crank Brothers files were transferred to Mr. Chen's firm, the files were updated by removing the tape and writing by hand in permanent ink the status of the files when they were transferred to Haynes and Boone.

39. On February 8, 2011, the Office granted the Petition filed by Crank Brothers' new attorneys and the '885 patent was reinstated.

C. Representation of Physical Optics Corporation

40. In or about February 2002, Respondent was hired by Physical Optics Corp. ("POC") to prepare and prosecute U.S. as well as foreign patent applications. Respondent was also responsible for paying maintenance fees on POC's patents. Respondent did not have an engagement letter with POC or any of its owners.

41. POC was a client from February 2002 to October 2007. The volume of work brought in by POC during this period, combined with Respondent's regular clients, placed undue stress and an overwhelming burden on Respondent and his staff. Respondent, however, did not hire new employees to enable his law office to handle this increase in workload.

42. In or about November 2005, Luminit was formed by POC to commercialize intellectual property developed by POC. Respondent did not have an engagement letter with Luminit. Respondent regarded POC as his client, and not Luminit.

43. In or about May 2007, Engin Arik of Luminit was involved in licensing negotiations with a Japanese company for sale and licensing of certain POC technology.

44. It is alleged by POC that Mr. Arik made a number of telephone calls to Respondent's office during July and early August of 2007 to confirm that there were no problems with the POC foreign and domestic patents subject to negotiations. It is further alleged that during each call, Mr. Arik spoke to Respondent's office manager, who replied that Respondent was not in the office and was unavailable.

45. On or about Friday, August 17, 2007, Respondent was next to his office manager's office when Mr. Arik called. Respondent spoke directly to Mr. Arik. Respondent learned for the first time that Mr. Arik had been trying to talk to him for weeks. Respondent apologized for the failure of his staff to inform him of the calls. In response to Mr. Arik's query regarding any problems with the POC patents, Respondent asked his office manager about the POC patent portfolio and she told Respondent that there were no problems. Respondent relayed this information to Mr. Arik. Respondent did not independently investigate the status of any POC patent. Respondent should have known about the status of the patents and applications that the client had entrusted to him.

46. On Sunday, August 19, 2007, Mr. Arik was informed by a representative of the Japanese company that, after a due diligence search, it had discovered that "well over 40 patents" listed in Luminit's schedule for licensing "were already withdrawn, abandoned or rejected."

47. On or about September 13, 2007, POC or Luminit requested that certain POC files be transferred to the law firm of Welsh & Katz. Files were transferred to Welsh & Katz on September 17 and 19, 2007.

48. On September 17, 2007, POC requested that the remaining files be transferred to the Shepard Mullin law firm. Files were transferred on October 4 and 11, 2007.

49. On August 7, 2008, POC and Luminit filed a malpractice action against Respondent alleging that Respondent's failure to pay renewal and maintenance fees, and respond to notices and actions resulted in abandonment of a number of applications and expiration of several patents. The malpractice suit alleged negligence, breach of fiduciary duty, constructive fraud, and fraud against Respondent.

50. Respondent asserts that he was not aware of the status of the patents and applications until he read the complaint in the malpractice suit. Respondent did not investigate the allegations in POC's complaint.

51. On August 13, 2009, Respondent and his wife filed for bankruptcy.

52. In light of Respondent's bankruptcy filing, the malpractice suit was dismissed on November 12, 2009. In its place, POC and Luminit filed a Complaint to Determine Debts to be Non-Dischargeable ("Bankruptcy Complaint") in Respondent's bankruptcy proceeding on November 20, 2009.

53. The Bankruptcy Complaint contained substantially the same allegations against Respondent as set forth in the dismissed malpractice action, namely: negligence, breach of fiduciary duty, constructive fraud, and fraud.

54. Respondent and POC/Luminit settled the Bankruptcy Complaint, and it was dismissed on July 27, 2010.

D. Representation of Atomic Aquatics

55. Respondent represented inventors Douglas Toth and Dean Garraffa in patent matters before the Office for about fifteen years. Messrs. Toth and Garraffa are principals in Atomic Aquatics, Inc.

56. Respondent's office manager testified that it was her recollection that she was instructed by Mr. Toth in 2005 that Atomic Aquatics would be responsible for paying the maintenance fees on their respective patents: U.S. Patent Nos. 5,678,541 ("Atomic 1"); 5,803,073 ("Atomic 2"); 6,463,640 ("Atomic 10"); and 6,761,163 ("Atomic 14").³

57. A Notice of Patent Expiration for the Atomic 1 patent, dated November 23, 2005, was sent to Respondent's former business address in Newport Beach, California. Regardless of where the Office sent the notice, Respondent's office had previously docketed the Atomic 1 patent for payment of the maintenance fee on April 21, 2005 and also docketed it for payment with a surcharge on October 21, 2005. Respondent took no action to pay the maintenance fee.

58. There is no record that a Notice of Patent Expiration was sent by the USPTO to Respondent for the Atomic 2 patent. Regardless of whether the Office issued a notice, Respondent's office had previously docketed the Atomic 2 patent for payment of the maintenance fee on March 8, 2006. Respondent took no action to pay the maintenance fee.

59. A Notice of Patent Expiration for the Atomic 10 patent, dated November 15, 2006, was sent to Respondent's business address in Irvine, California. Mr. Garraffa and Mr. Toth declare that they never received a copy of the Notice from Respondent. Respondent took no action in response to this Notice of Patent Expiration.

60. A Notice of Patent Expiration for the Atomic 14 patent, dated August 11, 2008, was sent to Respondent's business address in Irvine, California. Mr. Garraffa and Mr. Toth declare that they never received a copy of the Notice from Respondent. Respondent took no action in response to this Notice of Patent Expiration.

61. Respondent's office manager testified that she inserted the notation "client will pay fees" on each of the patent file jackets. This information was also included on the firm docket sheet. Reminder letters were neither sent to Mr. Toth nor Mr. Garraffa about upcoming maintenance fee due dates, nor did Respondent's firm take any further actions regarding these patents. Atomic 1, Atomic 2, Atomic 10, and Atomic 14 expired for non-payment of maintenance fees.

62. On October 25, 2010, Mr. Toth requested that Respondent provide a detailed inventory of all the patents issued to Mr. Toth and Mr. Garraffa.

³ All of the patents were assigned to Huish Divers, LLC in assignments dated September 13, 2011. All assignments were recorded in the USPTO on November 7, 2011.

63. On November 22, 2010, Respondent's office manager showed Respondent a table of patent-related matters for Mr. Toth and Mr. Garraffa that she had prepared. He noticed that "a number of entries for Atomic Aquatics issued U.S. Patents ... had become abandoned for failure to pay maintenance fees between 2005 and 2008." Respondent stated in a declaration that Respondent's office manager "believed that these abandonments were known to [Mr. Toth and Mr. Garraffa] and were the result of their lack of adequate funds or because the corresponding products have become obsolete."

64. On Wednesday, November 24, 2010, the table was sent to Mr. Garraffa. Later in the day, Respondent's office manager emailed Respondent stating that Mr. Garraffa wanted to see him as soon as he returned from Thanksgiving weekend.

65. On Monday, November 29, 2010, Respondent met with Mr. Garraffa who explained that he was shocked to learn about the expiration of several patents. Respondent indicated that he would investigate and report back to him as soon as possible.

66. Respondent in a declaration stated that when he confronted his office manager, she admitted that "she had lost control of her tasks, particularly over a several year period between 2005 and 2008 when she just couldn't keep up with the demands of the job and perform all of her duties in a timely manner." In an email from Respondent to Mr. Garraffa on November 29, 2010, Respondent stated that "preliminary indications are that my secretary of over 30 years had some kind of meltdown" and that "I'm not yet sure of the full scope of what has occurred, but it looks like over the 2005 - 2007 time frame she stopped doing things that I had come to rely on her to do without fail."

67. On December 22, 2010, Respondent filed a Petition to Accept Unavoidably Delayed Payment of Maintenance Fee in Atomic 1 and Atomic 2. On January 3, 2011, Respondent filed similar petitions in Atomic 10 and Atomic 14.

68. In each petition, Respondent asserted that Respondent's office manager failed in her office duties starting in 2005 and that "[o]nly [in the] past few weeks has her strange and unexpected behavior come to light." Respondent further stated: "it is only now understood that she was overworked and stressed beyond her limit." Respondent recognized with the Atomic cases that his office manager needed psychological counseling. He obtained the services of Samuel Albert, MD, a practicing psychiatrist, who had counseled the office manager years earlier in an unrelated matter, to evaluate her. Dr. Albert concluded that Respondent's office manager "was overworked beyond her limits." The evidence points to 2002 through 2007, the period Respondent had POC as a client, as the period that Respondent's office manager was working well beyond her capabilities, causing undue stress. Respondent represents that he did not appreciate the stress his office manager was experiencing during this period.

69. On January 11, 2011, in response to a previous request for copies of the petitions filed in the Office, Respondent emailed Mr. Garraffa, with a copy to Mr. Toth, stating:

[the office manager] says that the petitions for Atomic- 1 and -2 were mailed to you Saturday, but I've asked her to e-mail them now also. The petitions for 1, 2,

10 and 14 are essentially identical except for the docket numbers and patent numbers referred to. Please let me know if you need anything further in this regard.

Mr. Garraffa and Mr. Toth stated in declarations to the Office that they were not provided with copies of the petitions filed in the USPTO.

70. The Office dismissed the petitions in Atomic 10 and Atomic 14 on February 10, 2011, and dismissed the petitions in Atomic 1 and 2 on February 22, 2011 and February 15, 2011, respectively.

71. In the decisions, the Office found that the petitions failed to prove that the maintenance fees would have been paid absent the office manager's "medical condition."

72. The decisions indicated that Respondent failed to adequately supervise his office manager. Specifically, the decisions stated:

... a reasonable and prudent employer, treating the supervision of an employee as the employer's most important business, would not simply assume an employee's past quality of work would not suffer as the employer continuously increased the employee's workload. Instead, such an employer would take steps to ensure the employee could adequately handle the new workload without a drop in quality. The record fails to indicate [Respondent] took any steps to ensure [that his office manager] could adequately handle the new workload without a drop in quality.

If an employer has created a work environment in which employees feel 100% comfortable bringing workload issues to the employer's attention, the employer might be reasonable in expecting an employee to inform the employer if he employee's workload begins to impact the quality of the employee's work. However, the record fails to prove [that Respondent] created such a work environment.

73. The decisions referred to Respondent's statements made in his declaration dated July 31, 2008, regarding his office manager's performance of her assigned duties in the petition filed in the Crank Brother's '885 patent. The decisions stated that Respondent's statements demonstrate Respondent "had reasons to doubt the reliability of [his office manager's] work well before November 2010." Respondent did not send copies of the decisions to his clients, Mr. Garraffa and Mr. Toth.

74. Respondent filed requests for reconsideration in Atomic 10 and Atomic 14 on April 12, 2011, and in Atomic 1 and Atomic 2 on April 26, 2011 and April 22, 2011, respectively. Respondent did not advise his clients that he had filed requests for reconsideration.

75. In all of the requests for reconsideration, Respondent included a copy of the file jacket for the respective application. The notations in Atomic 10 and 14 file jackets are similar to the notations in SLIP-2, SLIP-2/cip, SLIP-3, SLIP-5/cip, SLIP-6 and SLIP 20. *See supra* ¶'s

15, 21, 36, & 38, *i.e.*, they contain a listing of the due dates for payment of the maintenance fees, with a notation that the client will pay the fees. On the Atomic 1 and Atomic 2 file jackets, the first maintenance fee due date is endorsed with the notation that it was paid by Respondent, while the second and third maintenance fee dates have the notation: "client will pay fees."

76. Each of the requests for reconsideration included a declaration from Respondent's office manager indicating that beginning in 2005, she "felt hopelessly overwhelmed with the tasks" she was assigned to do and that it was her recollection that because of priorities given to other matters, she continually put off sending a notice to the client regarding the fee, and that eventually she would run out of time. However, at the time "it would occur to [her] that this client had wanted to pay its own maintenance fees and [she] would simply make such an entry in the corresponding docket sheet."

77. On May 5, 2011, Mr. Garraffa sent himself an email which is a transcript of a telephone conversation Mr. Garraffa had with Respondent, wherein Respondent stated he had filed additional information with the PTO, at its request.

78. On May 6, 2011, Respondent emailed Mr. Garraffa referring to the conversation on May 5th and stated:

...between mid-April and this last Monday we responded to requests for additional information from the USPTO in regard to the pending petitions. They were primarily interested in having more direct statements that [my office manager's] illness was the cause of the problems. They specifically asked for another statement from her physician which would attribute her actions to her condition. We also submitted additional declarations from us to further describe the circumstances. I don't know whether this newly submitted material will satisfy the USPTO, but we know that the petitions are still being considered.

79. On August 31, 2011, Mr. Garraffa copied Mr. Toth on an email that included a transcription of a conversation Mr. Garraffa had with Respondent, during which Mr. Garraffa reported to Respondent that the Office had made a decision in Atomic 1. Respondent was not aware of any decision on the request for reconsideration, only the decision dated February 22, 2011.

80. On September 19, 2011, Everett D. Robinson, a registered practitioner, was requested to investigate the status of the Atomic 1, Atomic 2, Atomic 10, and Atomic 14 patents on behalf of Atomic Aquatics.

81. On or about September 28, 2011, all of the Atomic Aquatic files were transferred to the law firm of Austin Rapp & Hardman in Salt Lake City, Utah.

82. On October 6, 2011, the Office issued a Request for Information to Respondent. To respond to the Request, it required Respondent to "provide a rebuttal to all the assertions set forth in the petition filed July 21, 2010 in [the '885 patent]."

83. Respondent has represented that he was instructed by Austin Rapp & Hardman not to respond to the Request for Information.

84. On December 19, 2011, Mr. Robinson filed supplemental petitions for reinstatement of Atomic 1, Atomic 2, Atomic 10, and Atomic 14. Those petitions are still pending; therefore, all of the patents remain expired.

E. Pattern of Neglect of Management of Law Firm

85. Respondent admits that he neglected patent matters entrusted to him, in part, by engaging in a pattern and practice of neglecting the management of his law firm. Respondent admits that he neglected matters entrusted to him by:

- a. inadequately staffing his law firm in light of the amount of patent work for which Respondent was responsible;
- b. relying on an unsound docketing system for recording, responding to, and otherwise keeping track of important Office correspondence mailed to him, such as notices of patent expirations;
- c. relying on an unsound calendaring system for keeping track of important Office deadlines, including deadlines for paying maintenance fees;
- d. failing to recognize the insufficiency of the staffing of his law office and the ineffectiveness of his docketing and calendaring systems;
- e. not forwarding important Office correspondence to clients;
- f. not training and/or monitoring adequately the employee(s) he placed in charge of maintaining his docketing system and keeping track of important Office correspondence so as to ensure that his employee(s) informed him of all such correspondence on a timely basis; and
- g. not reviewing adequately his calendaring system to ensure that he would not miss important Office deadlines.

86. Respondent acknowledges that he is fully responsible for the acts and omissions of his law office staff.

Legal Conclusions

95. Respondent acknowledges that, based on the stipulated facts, he violated the following provisions of the USPTO Code of Professional Responsibility:

- a. 37 C.F.R. § 10.77(c) (proscribing neglect of entrusted legal matters) by allowing patents to expire for not timely paying maintenance fees;

- b. 37 C.F.R. § 10.77(c) by not adequately supervising his law firm employees to whom he had delegated certain duties and responsibilities concerning patent matters entrusted to Respondent;
- c. 37 C.F.R. §§ 10.23(a) and (b) via 37 C.F.R. § 10.23(c)(8) (proscribing failing to inform a client of important Office correspondence) by not informing clients of important Office correspondence; and
- d. 37 C.F.R. § 10.23(b)(6) (proscribing engaging in any other conduct that adversely reflects on a practitioner's fitness to practice before the Office).

Mitigating Factor

96. Respondent has no prior disciplinary history before the Office during the 40 years he has been a registered patent practitioner.

Agreed Upon Sanction

97. Respondent agrees, and it is ORDERED that:
- a. Respondent shall be, and hereby is, suspended from practice before the Office in patent, trademark, and other non-patent matters for five years commencing on the date this Final Order is signed;
 - b. Respondent shall be granted limited recognition to practice before the Office commencing on the date this Final Order is signed and expiring thirty (30) days after the date this Final Order is signed, with such limited recognition being granted for the sole purpose of facilitating Respondent's compliance with the provisions of 37 C.F.R. § 11.58(b);
 - c. Respondent shall comply with 37 C.F.R. § 11.58;
 - d. The OED Director shall comply with 37 C.F.R. § 11.59;
 - e. The USPTO shall promptly dissociate Respondent's name from all USPTO Customer Numbers and Public Key Infrastructure ("PKI") certificates;
 - f. Respondent shall not apply for or obtain a USPTO Customer Number unless and until he is reinstated to practice before the USPTO;
 - g. Respondent may file a petition for reinstatement pursuant to 37 C.F.R. § 11.60 requesting reinstatement at any time after forty-eight (48) months from the date this Final Order is signed;

- h. Respondent shall remain suspended from the practice of patent, trademark, and non-patent law before the USPTO until the OED Director grants a petition reinstating Respondent pursuant to 37 C.F.R. § 11.60(c);
- i. The OED Director shall electronically publish this Final Order at the Office of Enrollment and Discipline's electronic FOIA Reading Room, which is publicly accessible at <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
- j. The OED Director shall publish the following notice in the *Official Gazette*:

Notice of Suspension

This notice concerns Leonard Tachner of Irvine, California, a registered patent attorney (Registration No. 26,344). The Acting Director of the United States Patent and Trademark Office ("USPTO" or "Office") has suspended Mr. Tachner from practice before the Office in patent, trademark, and non-patent matters for five years for violating 37 C.F.R. §§ 10.23(a) and (b) via 37 C.F.R. §§ 10.23(c)(8); 37 C.F.R. § 10.23(b)(6); and 37 C.F.R. § 10.77(c). Mr. Tachner has the right to seek reinstatement after serving four years of his five-year suspension.

Mr. Tachner engaged in a pattern and practice of neglecting the management of his law office that persisted for years. He failed to recognize, despite clear indications, that his office personnel could not handle the workload. As a result, Mr. Tachner neglected patent matters by allowing patents to expire for not timely paying maintenance fees. He failed to inform clients of important Office correspondence and gave misleading information to them about the status of their patents. Mr. Tachner also failed to conduct an inquiry reasonable under the circumstances prior to signing and filing certain submissions with the Office.

All those who practice before the Office have the obligation to properly train and supervise their employees and are responsible for the acts and omissions of their employees. Hence, registered practitioners and others who practice before the Office may be disciplined when their employees have violated provisions of the USPTO Code of Professional Responsibility because of a lack of adequate training or supervision. Likewise, practitioners must maintain adequate docketing and calendaring systems and ensure compliance with Office deadlines.

In agreeing to the above described sanction, the OED Director took into account that Mr. Tachner has had no prior disciplinary history

before the Office during the 40 years he has been a registered patent practitioner.

This action is the result of a settlement agreement between Mr. Tachner and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19, 11.26, and 11.59. Disciplinary decisions involving practitioners are posted for public reading at the Office of Enrollment and Discipline Reading Room, available at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.

k. Nothing in the Agreement or this Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including the Final Order:

(1) when addressing any further complaint or evidence of the same or similar misconduct concerning Respondent brought to the attention of the Office;

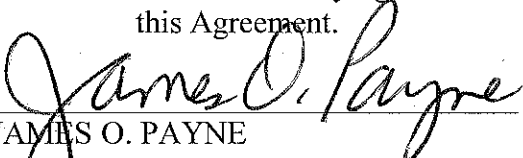
(2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed and/or (ii) to rebut any statement or representation by or on Respondent's behalf; and/or

(3) in connection with any request for reconsideration submitted by Respondent pursuant to 37 C.F.R. § 11.60;

l. The OED Director and Respondent shall file a joint motion dismissing the USPTO disciplinary proceeding pending against Respondent;

m. The OED Director shall close Office of Enrollment and Discipline File No. G2107 and issue a letter to Respondent informing him that the investigation has been closed in light of the Final Order approving this Agreement; and

n. The OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of this Agreement and any Final Order approving this Agreement.


JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

APR 12 2013
Date

on behalf of

Teresa Stanek Rea
Acting Under Secretary of Commerce for Intellectual Property and
Acting Director of the United States Patent and Trademark Office

cc:

Director of the Office of Enrollment and Discipline
United States Patent and Trademark Office

Cameron K. Weiffenbach
Miles & Stockbridge P.C.
1751 Pinnacle Drive, Suite 500
McLean, VA 22102-3833
Counsel for Respondent, Leonard Tachner

Leonard Tachner
Leonard Tachner PLC
17961 Sky Park Circle, Suite 38-E
Irvine, CA 92614

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of)	
)	
John M. Caracappa,	)	Proceeding No. D2014-02
)	
Respondent)	
_____)	

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and John M. Caracappa (“Respondent”) have submitted a Proposed Settlement Agreement (“Agreement”) to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“USPTO Director”) for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusion, and sanctions.

Jurisdiction

1. At all times relevant hereto, Respondent of Washington, D.C., has been a registered patent attorney (Registration Number 43,532) and subject to the USPTO Code of Professional Responsibility set forth at 37 C.F.R. § 10.20 *et seq.*¹

2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. § 2(b)(2)(D) and 37 C.F.R. §§ 11.19 and 11.26.

Stipulated Facts

Background

3. The USPTO registered Respondent as a patent agent on February 16, 1999 and as a patent attorney on September 8, 2006 (Registration Number 43,532).

¹ The events at issue in this matter occurred prior to May 3, 2013. Therefore, the USPTO Code of Professional Responsibility is applicable. *See* 37 C.F.R. § 10.20 *et seq.* Effective May 3, 2013, the USPTO Rules of Professional Conduct apply to persons who practice before the Office. *See* 37 C.F.R. §§ 11.101 through 11.901.

4. Respondent is counsel of record for Nissan North America, Inc. (“Nissan”) in two *inter partes* review (“IPR”) proceedings, *Nissan North America, Inc., et al. v. Carl B. Collins, et al.*, Case No. IPR2012-00035, regarding U.S. Patent No. 5,411,797; and *Nissan North America, Inc., et al. v. Carl B. Collins, et al.*, Case No. IPR2012-00037, regarding U.S. Patent No. 5,478,650 (referred to collectively as “the Nissan IPR proceedings”).

5. On September 26, 2012, Respondent filed two petitions for *inter partes* review in the Nissan IPR proceedings.

6. On November 1, 2012, Patent Owner’s counsel sent an email to Trials@uspto.gov without copying counsel for the petitioner. The petitioner first learned of the email when a clerk from the PTAB forwarded the email to all parties and arranged a conference call with the Board. Both parties were heard during the conference call and following the call, Judge Lane issued an order.

7. On January 2, 2013, counsel for the patent owners filed a preliminary response to each IPR petition (“Response”).

8. On January 8, 2013, counsel for Petitioner contacted the Board asking for guidance on how best to bring a mathematical error in the Response to the Board’s attention.

9. On January 9, Petitioner’s counsel received a voicemail acknowledging the request and explaining that Petitioner should “request a conference call with the judge” and that “the judge would decide if the conference call was necessary or if it was going to happen” and the judge “would decide everything after he heard both sides.”

10. The voicemail did not explain how to request a conference call with the judge. Petitioner’s counsel subsequently contacted the PTAB that day seeking further guidance as to whom the request should be addressed and what it should include.

11. On January 15, 2013, Respondent’s co-counsel sent an email to the Patent Trial and Appeal Board (“PTAB” or “Board”) at Trials@uspto.gov, in which she stated that she was back-up counsel for Nissan in the IPR proceedings (the “January 15 email”). The email was addressed to “Judge Lane” [PTAB Judge Sally Gardner Lane]. Respondent was copied on this email. Patent Owner’s counsel was not copied on the email. The email explained in three detailed paragraphs the mathematical error in the Response filed by the patent owners, why Respondent contended the error was important, and requested assistance regarding the proper procedure for obtaining judicial notice of the mathematical error.

12. Respondent authorized and had full knowledge of the January 15 email and its contents.

13. Respondent was advised that his co-counsel was not sending a copy of the January 15 email to opposing counsel.

14. After receipt of the January 15 email, the PTAB issued an “Order regarding Conduct of Proceedings under 37 C.F.R. § 42.5” (“Order”), dated January 22, 2013. The Order held that the January 15 email to the PTAB was an improper *ex parte* communication and an improper attempt to file a reply by counsel for Nissan.

15. Patent Owner was permitted to file a five page reply. In that reply, Patent Owner acknowledged that its Response contained a mathematical error. Patent Owner deleted the statement and arguments from its Response based on this mathematical error.

16. Respondent filed a Request for Rehearing with a supporting memorandum and several declarations.

17. In response, the PTAB issued a Decision on Request for Rehearing under 37 C.F.R. § 42.71 on January 29, 2013. That decision affirmed the PTAB’s holding in its earlier Order that the January 15 email was an improper *ex parte* communication with the PTAB and also stated that the “[b]oard appreciates and accepts Nissan’s statement that it did not intend to have an improper *ex parte* communication with the Judge.”

18. Respondent represents that in their Response, the Patent Owners stated that 0.5 microns is equal to 500 Angstroms and that 0.2 microns is equal to 200 Angstroms. This is not correct and it is a mathematical error. Instead, .2 microns is equal to 2000 Angstroms and .5 microns is equal to 5000 Angstroms.

19. Respondent further represents that the substance of the January 9, 2013 call with PTAB staff was memorialized in an email from a member of Petitioners’ counsel team that same day. The email stated that counsel was told that “[w]hat we need to do is to send an email to trials@uspto.gov, explaining our need for a conference call. We can copy opposing counsel on the email if we want but there is no requirement to do so. From there, the judge will decide if a call is necessary, and if so, send out proposed dates and times for the call.” The email further stated that “there is no documentation for this type of procedure” and that “they are figuring it out as they go.”

Joint Legal Conclusion

20. Respondent acknowledges that, based on the above stipulated facts, he violated 37 C.F.R. § 10.93(b) by communicating in writing with a judge before whom a proceeding is pending in an adversary proceeding on the merits of the case without providing a copy of the writing to opposing counsel.

Agreed Upon Sanction

21. Respondent agrees and it is hereby ORDERED that:

a. Respondent is hereby publicly reprimanded;

- b. The OED Director shall comply with 37 C.F.R. § 11.59;
- c. The OED Director shall publish the Final Order at the OED's electronic FOIA Reading Room, which is publicly accessible through the Office's website at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
- d. The OED Director shall publish the following notice in the *Official Gazette*:

Notice of Reprimand

This notice regards John M. Caracappa of Washington, D.C., a registered patent attorney (Registration Number 43,532). The United States Patent and Trademark Office ("USPTO" or "Office") has reprimanded Mr. Caracappa for violating 37 C.F.R. § 10.93(b).


Mr. Caracappa authorized and approved of the acts of his co-counsel, an associate attorney whom he supervised, in sending an email to the Patent Trademark and Appeal Board which contained statements explaining a mathematical error contained in Patent Owner's preliminary response in a case pending before the Board, without sending a copy of the email to opposing counsel. The Board subsequently issued an Order finding the email to be an improper *ex parte* communication, and noting that the "Board appreciates and accepts Nissan's statement that it did not intend to have an improper *ex parte* communication with the Judge." This conduct violated 37 C.F.R. § 42.5(d) and the provisions of The Office Patent Trial Practice Guide, 77 Federal Register 48756, 48758 (August 14, 2012). *Ex parte* contact with the Board is prohibited except under extremely limited circumstances as specifically set forth in the Board's rules.

This action is the result of a settlement agreement between Mr. Caracappa and the OED Director pursuant to the provisions of 35 U.S.C. § 2(b)(2)(D) and 37 C.F.R. §§ 11.20, 11.26, and 11.59. Disciplinary decisions involving practitioners are posted at the OED's Reading Room, which is publicly accessible at:
<http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.

- e. Nothing in this Agreement or the Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including this Final Order:
 - (1) when addressing any further complaint or evidence of the same or similar misconduct concerning Respondent brought to the attention of the Office; and/or

(2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed and/or (ii) to rebut any statement or representation made by or on Respondent's behalf; and

- f. The OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of this Agreement and any Final Order approving this Agreement.


JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

JAN 10 2014
Date

on behalf of
Margaret A. Focarino
Commissioner for Patents
performing the duties and functions of the
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc: Director of the Office of Enrollment and Discipline
United States Patent and Trademark Office

Daniel Shanahan
Williams & Connolly LLP
725 Twelfth St., NW
Washington, DC 20005
Counsel for John M. Caracappa

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of:

Kevin W. Goldstein,

Respondent

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Proceeding No. D2014-10

FINAL ORDER

Pursuant to 37 C.F.R. § 11.27(b), the Director of the United States Patent and Trademark Office (“USPTO” or “Office”) received for review and approval from the Director of the Office of Enrollment and Discipline (“OED Director”) an Affidavit of Resignation Pursuant to 37 C.F.R. § 11.27 executed by Kevin W. Goldstein (“Respondent”) on March 25, 2014. Respondent submitted the affidavit to the USPTO for the purpose of being excluded on consent pursuant to 37 C.F.R. § 11.27.

For the reasons set forth herein, Respondent’s Affidavit of Resignation shall be approved and Respondent shall be excluded on consent from practice before the Office in patent, trademark, and other non-patent matters commencing on the date of this Final Order.

Jurisdiction

Respondent of Berwyn, Pennsylvania, is a registered patent attorney (Reg. No. 34,608) and subject to the USPTO Code of Professional Responsibility, 37 C.F.R. § 10.20 *et seq.* See 37 C.F.R. § 11.19(a).¹

Pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. § 11.27, the USPTO Director has the authority to approve Respondent’s Affidavit of Resignation and to exclude Respondent

¹ The USPTO Code of Professional Responsibility applies to a practitioner’s misconduct that occurred prior to May 3, 2013, while the USPTO Rules of Professional Conduct, 37 C.F.R. § 11.101 *et seq.*, apply to a practitioner’s misconduct that occurred after May 2, 2013.

on consent from practice before the Office in patent, trademark, and other non-patent matters before the Office.

Respondent's Affidavit of Resignation

Respondent acknowledges in his March 25, 2014 Affidavit of Resignation that:

1. His consent is freely and voluntarily rendered, and he is not being subjected to coercion or duress.
2. He is aware that a disciplinary complaint is pending against him (*i.e.*, USPTO Disciplinary Proceeding No. D2014-10) and alleges, *inter alia*, that (a) in mid-September 2009, he falsely informed two clients that he had filed a patent application on their behalf with the USPTO; (b) from mid-September 2009 through around mid-October 2012, he knowingly misled the two clients into believing that their patent application was being examined by the USPTO; (c) he created and sent the two clients (i) a counterfeit USPTO patent application filing receipt, (ii) two phony cease and desist letters that he claimed he had transmitted to a potential patent infringer, (iii) a three-page response to a fictitious inquiry by a patent examiner about the "pending" patent application, and (iv) bills for legal services that he did not perform and USPTO fees that were not incurred; and (d) in April 2011, he falsely informed the two clients that he had filed a trademark application on their behalf and thereafter knowingly misled them into believing that the trademark application was being examined by the USPTO.
3. He is aware that the disciplinary complaint pending against him alleges that he violated the following Disciplinary Rules of the USPTO Code of Professional Responsibility:
 - a. 37 C.F.R. § 10.23(a) (proscribing engaging in disreputable or gross misconduct);
 - b. 37 C.F.R. § 10.23(b)(4) (proscribing engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation);
 - c. 37 C.F.R. § 10.23(b)(5) (proscribing engaging in conduct that is prejudicial to

the administration of justice);

- d. 37 C.F.R. § 10.23(c)(2)(i) (proscribing knowingly giving false and/or misleading information or knowingly participating in a material way in giving false and/or misleading information to a client in connection with any immediate, prospective, or pending business before the Office);
- e. 37 C.F.R. § 10.77(c) (proscribing neglecting a legal matter entrusted to a practitioner);
- f. 37 C.F.R. § 10.84(a) (proscribing failing to seek the lawful objectives of a client through reasonably available means permitted by law, failing to carry out a contract of employment entered into with a client for professional services, and/or prejudicing or damaging a client during the course of a professional relationship); and
- g. 37 C.F.R. § 10.23(b)(6) (proscribing engaging in other conduct that adversely reflects on the practitioner's fitness to practice before the USPTO).

4. Without admitting to any of the allegations in the disciplinary complaint or to violating any of the Disciplinary Rules of the USPTO Code of Professional Responsibility, Respondent acknowledges that, if and when he applies for reinstatement under 37 C.F.R. § 11.60, the OED Director will conclusively presume, for the purpose of determining the application for reinstatement, that (a) the allegations set forth in the disciplinary complaint in USPTO Disciplinary Proceeding D2014-10 are true and (b) he could not have successfully defended himself against such allegations.

5. He has fully read and understands 37 C.F.R. §§ 11.5(b), 11.27, 11.58, 11.59, and 11.60, and is fully aware of the consequences of consenting to exclusion from practice before the USPTO in patent, trademark, and other non-patent matters.

6. He consents to being excluded from practice before the USPTO in patent, trademark, and other non-patent matters.

Exclusion on Consent

Based on the foregoing, the USPTO Director has determined that Respondent's Affidavit of Resignation complies with the requirements of 37 C.F.R. § 11.27(a). Hence, it is ORDERED that:

- a. Respondent's Affidavit of Resignation shall be, and hereby is, approved;
- b. Respondent shall be, and hereby is, excluded on consent from practice before the Office in patent, trademark, and other non-patent matters commencing on the date of this Final Order;
- c. The OED Director shall electronically publish this Final Order at the Office of Enrollment and Discipline's electronic FOIA Reading Room, which is publicly accessible at <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
- d. The OED Director shall publish the following notice in the *Official*

Gazette:

Notice of Exclusion on Consent

This notice concerns Kevin W. Goldstein of Berwyn, Pennsylvania, a registered patent attorney (Reg. No. 34,608). The Director of the United States Patent and Trademark Office ("USPTO" or "Office") has accepted Mr. Goldstein's affidavit of resignation and ordered his exclusion on consent from practice before the Office in patent, trademark, and other non-patent matters.

Mr. Goldstein voluntarily submitted his affidavit at a time when a disciplinary complaint was pending against him. The complaint alleged, *inter alia*, that (a) in mid-September 2009, he falsely informed two clients that he had filed a patent application on their behalf with the USPTO; (b) from mid-September 2009 through around mid-October 2012, he knowingly misled the two clients into believing that their patent application was being examined by the USPTO; (c) he created and sent the two clients (i) a counterfeit USPTO patent application filing receipt, (ii) two phony cease and desist letters that he claimed he had transmitted to a potential patent infringer, (iii) a three-page response to a fictitious inquiry by a patent examiner about the

“pending” patent application, and (iv) bills for legal services that he did not perform and USPTO fees that were not incurred; and (d) in April 2011, he falsely informed the two clients that he had filed a trademark application on their behalf and thereafter knowingly misled them into believing that the trademark application was being examined by the USPTO. The complaint alleged that he violated the following Disciplinary Rules of the USPTO Code of Professional Responsibility: 37 C.F.R. §§ 10.23(a), 10.23(b)(4), 10.23(b)(5), 10.23(c)(2)(i), 10.77(c), 10.84(a), and 10.23(b)(6).

While Mr. Goldstein did not admit to any of the allegations in the disciplinary complaint or to violating any of the Disciplinary Rules of the USPTO Code of Professional Responsibility, he acknowledged that, if and when he applies for reinstatement, the OED Director will conclusively presume, for the purpose of determining the application for reinstatement, that (i) the allegations set forth in the disciplinary complaint were true, and (ii) he could not have successfully defended himself against such allegations.


This action is taken pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.27 and 11.59. Disciplinary decisions involving practitioners are posted for public reading at the Office of Enrollment and Discipline Reading Room, available at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.

- e. Respondent shall comply with 37 C.F.R. § 11.58;
- f. The OED Director shall comply with 37 C.F.R. § 11.59;
- g. Respondent shall comply with 37 C.F.R. § 11.60 upon any request for reinstatement; and
- h. USPTO Disciplinary Proceeding No. D2014-10 is hereby dismissed.

[only signature line follows]

MAR 31 2014

Date


JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

on behalf of

Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual
Property and Deputy Director of the United States Patent and
Trademark Office

cc:

Director of the Office of Enrollment and Discipline
U.S. Patent and Trademark Office

Kevin W. Goldstein

UNITED STATES OF AMERICA
PATENT AND TRADEMARK OFFICE
BEFORE THE ADMINISTRATIVE LAW JUDGE

In the Matter of

KENNETH PAUL CAMPBELL,

RESPONDENT.

Proceeding No. D2014-11

April 29, 2014

INITIAL DECISION ON DEFAULT JUDGEMENT

The above-entitled matter is before this Court on a *Motion for Entry of Default Judgment and Imposition of Sanction* (“Default Motion”), filed on February 28, 2014, by the Director of the Office of Enrollment and Discipline (“OED Director”) for the U.S. Patent and Trademark Office (“USPTO” or “Office”). Kenneth Paul Campbell (“Respondent”) has failed to file a timely answer to the OED Director’s *Complaint and Notice of Proceedings Under 35 U.S.C. § 32* (“Complaint”). This Court is authorized to hear this proceeding and to issue this *Initial Decision on Default Judgment* pursuant to 37 C.F.R. §§ 11.19 and 11.39.¹

USPTO regulations state that a failure to respond constitutes an admission of all allegations and “may result in entry of default judgment.” 37 C.F.R. § 11.36(e). As Respondent has not filed any response, the *Default Motion* will be **GRANTED**.

PROCEDURAL HISTORY

On January 17, 2014, the OED Director filed the *Complaint* and served a copy on Respondent by first-class certified mail, return receipt requested, at the address Respondent provided to the Office of Enrollment and Discipline. The return receipt that Respondent signed indicated the *Complaint* was delivered on January 25, 2014.

The *Complaint* notified Respondent that he had 30 days from the date of the *Complaint* to file a response, and that “[a] decision by default may be entered against Respondent if a written answer was not timely filed.” An answer was therefore due no later than February 18, 2014.

On February 20, 2014, counsel for the OED Director sent a letter to Respondent notifying Respondent that the OED Director had not received an answer to the *Complaint*, and, therefore, the OED Director intended to move for default judgment. The February 20, 2014, letter also

¹ Pursuant to an Interagency Agreement in effect beginning March 27, 2013, Administrative Law Judges of the U.S. Department of Housing and Urban Development are authorized to hear cases for the U.S. Patent and Trademark Office.

suggested that Respondent contact counsel for the OED Director to discuss settling the matter without the need for a hearing or a motion for default judgment.

Respondent has not filed an answer to the *Complaint* or otherwise communicated with counsel for the OED Director or the Court since the filing of the *Complaint*. As such, the OED Director moved for default judgment on February 28, 2014. Respondent has not responded to the *Default Motion*.

DEFAULT

Part 11 of Title 37 of the Code of Federal Regulations states that “[f]ailure to timely file an answer will constitute an admission of the allegations in the complaint and may result in a default judgment.” 37 C.F.R. § 11.36(e). Respondent in this matter has failed to timely submit an answer after being properly served with the *Complaint*. Accordingly, Respondent is deemed to have admitted each of the factual allegations recounted below.

FINDINGS OF FACT

1. Respondent has been registered as a patent agent since January 28, 2003. Respondent’s registration number is 52,688.
2. Respondent is not, and has never been, licensed to practice non-patent law in Colorado or any other state or jurisdiction.
3. Respondent’s acts and omissions leading to the violations of USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct alleged herein were willful.

Respondent’s Representation of Paul S. Lyke

4. On May 2, 2012, Paul S. Lyke contacted Respondent via e-mail seeking rate information for Respondent’s patent services.
5. Respondent sent an e-mail in response the same day. The e-mail provided an estimate of Respondent’s fees and asked several questions about Mr. Lyke’s invention.
6. In September 2012, Mr. Lyke contact Respondent explaining, “I’m getting closer to launching my product after many delays” Respondent responded to this communication from Mr. Lyke.
7. On April 8, 2013, Mr. Lyke again contacted Respondent about Mr. Lyke’s invention. Respondent again responded to the inquiry.

8. On or about April 10, 2013, Mr. Lyke paid Respondent \$1,820 in advance for Respondent to prepare and file a utility patent application for Mr. Lyke's invention.
9. Respondent acknowledged receipt of Mr. Lyke's \$1,820 payment.
10. Mr. Lyke was Respondent's client.
11. On June 21, 2013, Mr. Lyke contacted Respondent to check on the status of his patent application. Respondent did not respond to this inquiry.
12. On June 28, 2013, Mr. Lyke again contacted Respondent to check on the status of his patent application.
13. Respondent did not contact Mr. Lyke until several days later, at which point Respondent stated that he needed more time to process Mr. Lyke's patent application.
14. Mr. Lyke made subsequent attempts to communicate with Respondent on July 25, August 8, and August 12, 2013. Respondent did not respond to any of those inquiries.
15. Respondent did not prepare or file a patent application on behalf of Mr. Lyke.
16. Respondent did not perform any of the legal services for which Mr. Lyke had hired and paid Respondent.
17. Respondent has not returned the \$1,820 in fees, despite not performing any of the paid-for services.

Respondent's Unauthorized Practice of Law in Colorado

18. At some point in August or September of 2011, Respondent attempted to act as legal counsel for Jennifer White, a woman who had been involved in a one-car accident. Ms. White received a citation for careless driving and driving under the influence of alcohol as a result of the accident.
19. On September 26, 2011, Respondent filed an Entry of Appearance form on behalf of Ms. White with the El Paso County Combined Court in connection with the careless driving and DUI case, People v. White.
20. On the Entry of Appearance form, Respondent identified himself as "an attorney in fact duly appointed, and licensed to practice Federal Law in the United States of America." Respondent also wrote, "I am a practitioner at law and a member in good standing of the United States Patent Bar. I am not under any order by any

court or administrative agency suspending, enjoining, restraining, disbaring, or otherwise restricting me from practicing law.”

21. On the Notice of Future Court Appearance and Order to Report, issued by the El Paso County Combined Court, Respondent signed his name above the signature line for “Attorney’s/Defendant’s Signature.”
22. Respondent, on behalf of Ms. White, communicated with the Deputy District Attorney assigned to prosecute the case in September and December of 2011.
23. Respondent prepared and filed six motions on behalf of Ms. White over the course of the citation proceeding.
24. On December 15, 2011, Respondent appeared at a pretrial conference before El Paso County Court Judge Stephen J. Sletta.²
25. Respondent’s appearance at the December 15, 2011, pretrial conference led to Judge Sletta issuing the following order:

The court has received pleadings appointing Kenneth P. Campbell as attorney for defendant. Mr. Campbell is not authorized to practice law in Colorado. Whether or not he is licensed to appear in the patent proceedings is irrelevant to this Court. In addition, these motions reveal that Mr. Campbell does not know the rules of criminal procedure in Colorado nor does he have an understanding of the jurisdiction division of various agencies such as the El Paso County Court, City of Colorado Springs and district attorney’s office.

26. Judge Sletta issued a bench warrant for Ms. White’s arrest because she was not present at the December 15, 2011, conference and Respondent was not authorized to represent her.
27. On October 7, 2011, while the citation proceeding was before the El Paso County Court, Respondent prepared and filed a civil suit on behalf of Ms. White against the city of Colorado Springs.
28. Respondent signed the October 7, 2011, filing as “Ken Campbell (Atty)” and indicated “YES” beside the statement “I am an attorney.”
29. Respondent drafted and, on November 17, 2011, filed a Motion to Quash in the civil suit on behalf of Ms. White.

² The pretrial conference on December 15, 2011, was originally planned for December 14, 2011, but was rescheduled because Ms. White was not present. Respondent, however, was present for both the December 14, 2011 and the December 15, 2011 pretrial conferences.

30. On November 17, 2011, Respondent and Ms. White appeared before Daniel M. Winograd, the magistrate judge presiding over the civil suit.
31. Respondent identified himself before Magistrate Winograd as a “Federal attorney” and provided “52688” as his federal attorney registration number.
32. Upon being questioned by Magistrate Winograd, Respondent admitted that he was not licensed to practice law in Colorado and that the registration number he had provided was from the USPTO.
33. After Magistrate Winograd informed Respondent that he could not represent Ms. White in court, the Magistrate entered a Minute Order stating, “Ptf pres w/ Ken Campbell who claimed to be a federal atty. He was not authorized by court to represent Ptf.”
34. Ms. White’s suit was dismissed on November 17, 2011.
35. On November 18, 2011, Magistrate Winograd requested that the Colorado Supreme Court’s Attorney Regulation Counsel (“ARC”) conduct an investigation concerning possible unauthorized practice of law by Respondent.
36. On November 28, 2011, Ms. White’s case was reopened and a “Notice of Future Court Date” was issued stating, in part, “Plaintiff may be represented by counsel but Mr. Kenneth Campbell may NOT participate in this hearing.” (emphasis in original).
37. Respondent prepared, and on January 19, 2012, filed a Motion for Judgment by Default and to Stay this Civil Action Pending Resolution of a Criminal Charge in the case.
38. On February 23, 2012, Ms. White’s small claims court case was closed.
39. The ARC’s investigation of Respondent culminated in a February 19, 2013, Order of the Colorado Supreme Court enjoining Respondent from engaging in the unauthorized practice of law in the State of Colorado.
40. Respondent also appeared on behalf of Ms. White at her driver’s license revocation proceeding on December 22, 2011, before the Hearings Section of the Colorado Department of Revenue.
41. Respondent introduced himself as the “legal representative” of Ms. White during the hearing.
42. Respondent advocated on behalf of Ms. White at the hearing and signed his name acknowledging receipt of the order revoking Ms. White’s driving privileges.

The OED Investigation

43. On May 2, 2013, OED sent Respondent a Request to Practitioner for Information (“May RFI”) concerning Respondent’s unauthorized practice of law in Colorado.
44. On May 21, 2013, OED received a signed certified mail receipt indicating that the May 2013 RFI was delivered to Respondent’s address of record on May 17, 2013.
45. Respondent did not respond to the May RFI.
46. On June 6, 2013, OED re-sent the May RFI via certified mail and noted Respondent’s failure to respond to the previous letter. OED also provided Respondent with an additional 16 days to respond to the May RFI.
47. On July 1, 2013, OED received a signed certified mail receipt indicating that Respondent received the June 6 letter.³
48. Respondent did not respond to the June 6 letter.
49. On August 1, 2013, OED sent Respondent a letter notifying him of the provisions of 37 C.F.R. § 11.801(b), which outline the implications of failing to cooperate with an OED investigation.
50. The August 1 letter referenced the June 6 letter and was accompanied by a third copy of the May RFI.
51. United States Postal Service records indicate that the August 1 letter was delivered to Respondent’s address of record on August 6, 2013.
52. As of the date of the *Complaint*, Respondent had not responded to the May RFI or any of the subsequent mailings.
53. On October 15, 2013, OED sent a Request to Practitioner for Information (“October RFI”) concerning Respondent’s representation of Mr. Lyke.
54. A signed certified mail receipt indicated that Respondent received the October RFI on October 19, 2013.
55. Respondent did not respond to the October RFI.
56. On November 15, 2013, OED re-sent the October RFI to Respondent via certified mail and noted Respondent’s failure to respond to the previous letter.

³ According to United States Postal Service records, the June 6 letter was not delivered until June 28, 2013. There is no information in the record explaining this delay.

57. USPS records indicate that the November 15 letter was undeliverable as addressed and returned to OED.
58. As of the date of the *Complaint*, Respondent had not responded to the October RFI.

CONCLUSIONS OF LAW

1. Pursuant to 37 C.F.R. § 10.23(a), “[a] practitioner shall not engage in disreputable or gross misconduct.” In addition, 37 C.F.R. § 10.23(b)(4) states, “[a] practitioner shall not [e]ngage in conduct involving dishonesty, fraud, deceit, or misrepresentation.” Lastly, 37 C.F.R. § 11.804(c) states, “[i]t is professional misconduct for a practitioner to [e]ngage in conduct involving dishonesty, fraud, deceit or misrepresentation.”
2. Respondent violated 37 C.F.R. §§ 10.23(a), (b)(4), and 11.804(c) because he: (i) received advance payments from Mr. Lyke for patent legal services; (ii) did not perform the patent legal services for which he was hired; and (iii) failed to refund the advance payments for those legal services.
3. Respondent also violated 37 C.F.R. §§ 10.23(a), (b)(4), and 11.804(c) by representing himself to be a person authorized to practice law in Colorado when Respondent knew such representations were false.
4. Respondent violated 37 C.F.R. §§ 10.23(a), (b)(4), and 11.804(c) by engaging in the unauthorized practice of law in Colorado.
5. Pursuant to 37 C.F.R. § 10.23(b)(5), “[a] practitioner shall not [e]ngage in conduct that is prejudicial to the administration of justice.”
6. Respondent violated 37 C.F.R. § 10.23(b)(5) by representing himself to be a person authorized to practice law in Colorado when Respondent knew such representations were false.
7. Respondent also violated 37 C.F.R. § 10.23(b)(5) by engaging in the unauthorized practice of law in Colorado.
8. Pursuant to 37 C.F.R. § 10.23(b)(6), “a practitioner shall not [e]ngage in any other conduct that adversely reflects on the practitioner’s fitness to practice before the Office.” In addition, 37 C.F.R. § 11.804(i) states, “[i]t is professional misconduct for a practitioner to [e]ngage in other conduct that adversely reflects on the practitioner’s fitness to practice before the Office.
9. The OED Director has not alleged any “other conduct” of the sort envisioned by 37 C.F.R. §§ 10.23(b)(6) or 11.804(i). The Court therefore has no basis to find a

violation of this regulation. [REDACTED]
[REDACTED]

10. Pursuant to 37 C.F.R. § 10.31(d)(1), “[u]nless a practitioner is an attorney, the practitioner shall not hold himself or herself out [t]o be an attorney or lawyer.”
11. Respondent violated 37 C.F.R. § 10.31(d)(1) by representing himself to be a person authorized to practice law in Colorado despite his knowledge that such representations were false.
12. Pursuant to 37 C.F.R. § 10.84(a)(3), “[a] practitioner shall not intentionally [p]rejudice or damage a client during the course of a professional relationship.”
13. Respondent violated 37 C.F.R. § 10.84(a)(3) by: (i) failing to prepare, file, or prosecute a patent application on behalf of Mr. Lyke; (ii) abandoning Mr. Lyke as a client; and (iii) not refunding Mr. Lyke’s \$1,820 advance payment.
14. Pursuant to 37 C.F.R. § 10.89(c)(6), when “appearing in a professional capacity before a tribunal, a practitioner shall not [i]ntentionally or habitually violate” the USPTO Disciplinary Rules.
15. Respondent violated 37 C.F.R. § 10.89(c)(6) by engaging in the unauthorized practice of law after: (i) admitting to Magistrate Winograd that Respondent was not licensed to practice law in Colorado; and (ii) after Magistrate Winograd told Respondent that he could not represent Ms. White in court.
16. Respondent also violated 37 C.F.R. § 10.89(c)(6) by representing himself to be a person authorized to practice law in the State of Colorado when Respondent knew such representations were false.
17. Pursuant to 37 C.F.R. § 11.804(a) via § 11.103, “[a] practitioner shall act with reasonable diligence and promptness in representing a client.”
18. Respondent violated 37 C.F.R. § 11.804(a) via § 11.103 by: (i) not preparing, filing or prosecuting a patent application on behalf of Mr. Lyke; (ii) not responding to Mr. Lyke’s numerous attempts to communicate with him; and (iii) abandoning Mr. Lyke as a client.
19. Pursuant to 37 C.F.R. § 11.804(a) via § 11.104(a)(3), “[a] practitioner shall [k]eep the client reasonably informed about the status of [a] matter.”
20. Respondent violated 37 C.F.R. § 11.804(a) via § 11.104(a)(3) by not responding to Mr. Lyke’s numerous attempts to communicate with him and abandoning Mr. Lyke as a client.

21. Pursuant to 37 C.F.R. § 11.804(a) via § 11.104(a)(4), “[a] practitioner shall [p]romptly comply with reasonable requests for information from the client.”
22. Respondent violated 37 C.F.R. § 11.804(a) via § 11.104(a)(4) by not responding to Mr. Lyke’s numerous attempts to communicate with him.
23. Pursuant to 37 C.F.R. § 11.804(a) via § 11.115(d), a practitioner shall promptly deliver to the client any funds that the client is entitled to receive and, upon request by the client, shall promptly render a full accounting regarding such property.
24. Respondent violated 37 C.F.R. § 11.804(a) via § 11.115(d) by failing to return to Mr. Lyke the \$1,820 Mr. Lyke paid in advance to Respondent for patent legal services that Respondent did not perform.
25. Pursuant to 37 C.F.R. § 11.804(a) via § 11.801(b), “a practitioner in connection with an application for registration ... shall not [f]ail to disclose a fact necessary to correct a misapprehension known by the person to have arisen in the matter, fail to cooperate with the [OED] in an investigation of any matter before it, or knowingly fail to respond to a lawful demand or request for information from an admissions or disciplinary authority.”
26. Respondent violated 37 C.F.R. § 11.804(a) via § 11.801(b) by failing to respond to OED’s requests for information and not cooperating with OED’s investigation.

SANCTIONS

The OED Director requests that the Court sanction Respondent by excluding him from practice before the USPTO in patent, trademark, and other non-patent matters. Before sanctioning a practitioner, the Court must consider the following four factors:

- (1) Whether the practitioner has violated a duty owed to a Client, to the public, to the legal system, or to the profession;
- (2) Whether the practitioner acted intentionally, knowingly, or negligently;
- (3) The amount of the actual or potential injury caused by the practitioner’s misconduct; and
- (4) The existence of any aggravating or mitigating factors.

37 C.F.R. § 11.54(b).

1. Respondent violated his duties owed to his Client and the profession.

Respondent agreed to represent his client, Mr. Lyke, in connection with seeking patent protection for his invention. Respondent accepted an advance payment of \$1,820 from his client for these services, and was therefore obligated to perform the agreed-upon patent services on Mr. Lyke's behalf. Respondent did not prepare or file a patent application on behalf of Mr. Lyke, did not respond to any of Mr. Lyke's inquiries about the progress of the patent application, and did not refund the payment for the services he failed to perform. In essence, Respondent took his client's money and abandoned him.

Moreover, Respondent is a patent agent, not an attorney. By holding himself out as an attorney, he damages the integrity of the legal profession and puts the public at enhanced risk. Here, his false assertion directly led to Ms. White's small claims case being dismissed. His actions also caused a bench warrant to be issued for Ms. White. This behavior warrants a maximum sanction.

2. Respondent acted knowingly and intentionally.

Respondent acted knowingly and intentionally⁴ because he repeatedly disregarded his client's communications regarding his patent application, even after Respondent had accepted an advance payment of \$1,820 from his client to perform these services. Respondent's refusal to respond allowed him to evade his obligation to perform the agreed-upon patent services.

Respondent repeatedly asserted in unambiguous terms that he was a member of the legal profession. He stated on his Entry of Appearance form in Ms. White's criminal case that he was "a practitioner at law and a member in good standing of the United States Patent Bar." He filed six motions in that case on behalf of Ms. White, and on several occasions positively indicated that he was her attorney. When filing her civil claim, Respondent indicated "YES" beside the statement "I am an attorney." He also identified himself as Ms. White's "legal representative" in her driver's license revocation hearing. All the while, Respondent was fully aware that he was not authorized to practice law in Colorado as he admitted in direct questioning by Magistrate Winograd.

Even if Respondent had harbored some confusion about his ability to legally represent Ms. White, those doubts were dissolved by Magistrate Winograd when he expressly ordered that "[Ms. White] may be represented by counsel but Mr. Kenneth Campbell may NOT participate in this hearing." (emphasis in original). Respondent blatantly disregarded the court's explicit instruction by filing an additional motion on January 19, 2012.

Lastly, Respondent deliberately refused to participate in OED's investigation of his conduct. The certified mail receipts prove that Respondent received OED's letters, particularly the May RFI and the October RFI. He did not respond to either RFI, and indeed did not respond

⁴ Respondent has failed to appear in these proceedings and has, therefore, waived the opportunity to contest the OED Director's assertions as to this state of mind, which is deemed admitted by default. Circumstantially, Respondent's acts and omissions leading to the violations of the USPTO Code of Professional Responsibility alleged in the *Complaint* appeared willful.

to any of the other letters sent to him by OED. He has also failed to respond to communication from the Court in this proceeding.

Respondent's actions: accepting advance payments to perform agreed-upon work, evading numerous phone calls, signing documents, failing to respond to the OED's RFIs, and disregarding the court's explicit instructions, constitute sufficient evidence that Respondent acted intentionally and knowingly. Accordingly, the maximum sanction is warranted.

3. Respondent's misconduct caused an actual and potential injury.

Respondent has caused actual injury to both Mr. Lyke and Ms. White. Mr. Lyke has not recovered the \$1,820 he paid Respondent for patent services. Additionally, Respondent's abandonment of the patent application placed Mr. Lyke's intellectual property rights in jeopardy, and has negatively impacted the invention's potential future earnings.

As noted above, Respondent's conduct directly led to a bench warrant being issued for Ms. White's arrest, and caused the dismissal of her civil claim. Moreover, by falsely asserting that he was qualified to represent her, Respondent prevented Ms. White from timely hiring competent legal counsel. This further lessened her chances of success in both the criminal and civil cases. A maximum sanction is therefore appropriate.

4. Are there any aggravating or mitigating factors?

The Court often looks to the ABA's Standards for Imposing Lawyer Sanctions ("ABA Standards") when determining whether aggravating or mitigating factors exist. See In re Chae, Proceeding No. D2013-01, at 4 (USPTO Oct. 21, 2013). A review of the record reveals that aggravating factors exist in this case.

First, Respondent's multiple offenses constitute an aggravating factor. Respondent abused his status as a patent agent, to engage in unauthorized legal representation. This suggests Respondent either did not know—or did not care—about the boundaries of his status as a patent agent. After running afoul of the Colorado courts, his behavior became even more egregious. Respondent did not even attempt to perform any work he agreed to undertake for Mr. Lyke. He simply took the money and abandoned his client.

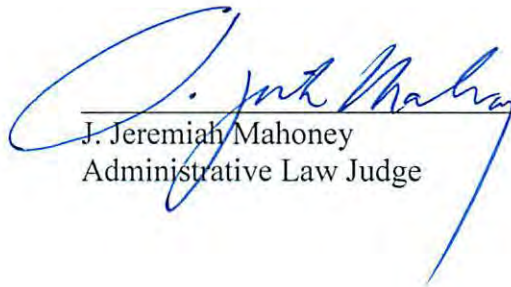
Second, Respondent ignored every opportunity to interact with Mr. Lyke or participate in OED's investigation. He has not offered any explanation for his conduct. The evidence proves that he received the multiple e-mails from Mr. Lyke, as well as the certified letters from OED. He was therefore aware of the attempts to communicate with him. His silence thus suggests that either Respondent does not acknowledge the wrongful nature of his conduct, or he does acknowledge it and simply does not care to defend himself. Either way, he has proven himself unfit to practice in any capacity before the USPTO.

ORDER

On the basis of Respondent's deemed admissions, and after an analysis of all four enumerated factors, this Court concludes that Respondent's misconduct warrants the penalty of exclusion. Accordingly, the *Default Motion* is **GRANTED**.

IT IS HEREBY ORDERED that Respondent Kenneth Paul Campbell, PTO Registration No. 52,688, be **EXCLUDED** from practice before the U.S. Patent and Trademark Office.

So ORDERED.



J. Jeremiah Mahoney
Administrative Law Judge

Notice of Appeal Rights. Pursuant to 37 C.F.R. § 11.55, any appeal by the Respondent from this Initial Decision, issued pursuant to 35 U.S.C. § 32 and 37 C.F.R. § 11.54, must be filed with the U.S. Patent and Trademark Office at the address provided in 37 C.F.R. § 1.1(a)(3)(ii) within 30 days after the date of this Initial Decision. Such appeal must include exceptions to the Administrative Law Judge's Decision and supporting reasons therefor. Failure to file such an appeal in accordance with 37 C.F.R. § 11.55 will be deemed both an acceptance by Respondent of the Initial Decision and that party's waiver of rights to further administrative and judicial review.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing INITIAL DECISION ON DEFAULT JUDGEMENT, issued by J. Jeremiah Mahoney, Administrative Law Judge, in D2014-11, were sent to the following parties on this 29th day of April, 2014, in the manner indicated:


Wendy Johnson, Staff Assistant

VIA FIRST CLASS MAIL AND E-MAIL:

Mr. Kenneth Paul Campbell
P.O. Box 1381
Monument, Colorado 80132

Elizabeth Ullmer Mendel
Ronald K. Jaicks
Melinda DeAtley
Associate Solicitors
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P.O. Box 1450
Alexandria, VA 22313-1450
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**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR
OF THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of

Tracy W. Druce,

Respondent

Proceeding No. D2014-13

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Tracy W. Druce (“Respondent”) have submitted a Proposed Settlement Agreement (“Agreement”) to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“USPTO Director”) for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusion, and agreed upon sanction.

Jurisdiction

1. At all times relevant hereto, Respondent of Houston, Texas, was a registered patent attorney (Registration No. 35,493) and was subject to the USPTO Code of Professional Responsibility, which is set forth at 37 C.F.R. § 10.20 *et seq.*¹

2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19 and 11.26.

Stipulated Facts

3. The USPTO registered Respondent as a patent attorney on March 24, 1992.

4. Respondent’s registration number is 35,493.

5. In 2004, Respondent established a law firm, Novak Druce LLP.

6. In 2005, Novak Druce LLP became Novak, Druce & Quigg LLP.

¹ The USPTO Code of Professional Responsibility applies to Respondent’s alleged misconduct that occurred prior to May 3, 2013. The USPTO Rules of Professional Conduct, 37 C.F.R. § 11.101 *et seq.*, apply to a practitioner’s misconduct occurring after May 2, 2013.

7. At all times relevant to this Agreement, a non-lawyer assistant, [REDACTED] worked for Respondent at Novak Druce LLP and Novak, Druce & Quigg LLP from 2004 through late 2006. ([REDACTED] is hereinafter referred to as "the non-lawyer assistant.")

8. At all relevant times, Respondent was responsible for the supervision of the non-lawyer assistant.

9. From at least 2004 through 2006, the non-lawyer assistant submitted, with intent to deceive, knowingly false statements to the Office in many patent applications that Respondent was responsible for prosecuting on behalf of clients.

10. The non-lawyer assistant submitted the following types of false statements to the Office in patent applications that Respondent was responsible for prosecuting:

- a. fabricating email confirmation messages and submitting the fabricated emails to the Office as evidence that papers had been sent to the Office via facsimile transmission when, in fact, the papers were never sent to the Office;
- b. affixing USPTO receipt stamps to postcards and submitting the doctored postcard receipts to the Office as evidence that the Office had received papers when, in fact, the papers were never sent to the Office;
- c. fabricating a United States Postal Service Express Mail label that falsely represented a patent application had been mailed to the Office on a certain date when, in fact, the application had never been sent to the Office; and
- d. backdating certificates of mailing that falsely represented that papers had been mailed to the Office weeks and/or months earlier than they actually had been sent.

11. Additionally, the non-lawyer assistant signed Respondent's signature to papers filed with the Office in many patent applications that Respondent was responsible for prosecuting on behalf of clients.

12. Additionally, the non-lawyer assistant electronically "cut and pasted" a digital version of Respondent's signature and affixed it to papers filed with the Office in many patent applications that Respondent was responsible for prosecuting on behalf of clients.

13. Additionally, the non-lawyer assistant prepared petitions; signed Respondent's name to the petitions and/or affixed a digital version of Respondent's signature to the petitions; and filed the petitions in the Office.

14. Respondent knew that the non-lawyer assistant had signed Respondent's name to application papers submitted to the Office in many patent applications that Respondent was responsible for prosecuting on behalf of clients.

15. The non-lawyer assistant represented in a declaration that he engaged in the misconduct described in paragraphs 9-12, above, without Respondent's knowledge.

16. Respondent represents that he did not know of the non-lawyer assistant's misconduct described in paragraphs 9-12, above, and the non-lawyer assistant represents that he acted alone and kept his misconduct secret from Respondent.

17. Respondent acknowledges he did not adequately supervise the non-lawyer assistant's activities.

18. Previously, Respondent completed and returned to the OED Director the USPTO Mandatory Survey (Form PTO 107S) issued under 37 C.F.R. § 11.11(a)(2). Respondent indicated on the survey that he did not wish to remain on the register of registered practitioners (37 C.F.R. § 11.5), and the OED Director removed Respondent from the register. Accordingly, pursuant to 37 C.F.R. § 11.10(a), Respondent is not permitted to prosecute patent applications of others before the Office or represent others in any proceedings before the Office unless and until he is reinstated to the register.

Joint Legal Conclusion

19. Respondent acknowledges that, based on the above stipulated facts, he violated 37 C.F.R. § 10.77(c) (a practitioner shall not neglect a legal matter entrusted to the practitioner) by not adequately supervising his non-lawyer assistant.

Agreed Upon Sanction

20. Respondent agrees, and it is hereby ORDERED that:

- a. If Respondent seeks reinstatement to the Office's register of practitioners under 37 C.F.R. § 11.7, Respondent shall be suspended from practice before the Office in patent, trademark, and other non-patent matters for twenty-four (24) months commencing on the date that a request for Respondent's reinstatement to the register is granted;
- b. The 24-month suspension, which is contingent upon Respondent seeking and being granted reinstatement, shall be stayed;
- c. Respondent shall serve a twenty-four (24) month period of probation commencing on the date that a request for Respondent's reinstatement to the register is granted;

- d. Respondent shall be permitted to practice before the USPTO in patent, trademark, and other non-patent matters during his probationary period unless his probation is revoked and he is suspended by order of the USPTO Director or otherwise no longer has the authority to practice;
- e. When and if Respondent seeks reinstatement pursuant to 37 C.F.R. § 11.7, the present disciplinary proceeding will not be a basis for barring his reinstatement provided that Respondent complies with the terms of the Final Order;
- f. Respondent shall provide certain information to certain present and former client(s) as set forth in subparagraphs i. through aa., below;
- g. Respondent shall use his best efforts to identify each patent application that Respondent prosecuted before the Office at any time between January 1, 2004, and December 31, 2006, that meet all of the following three conditions:
 - (1) The Office received between January 1, 2004, and December 31, 2006, any of the following: (i) a petition to revive an abandoned application, (ii) a petition to withdraw the holding of abandonment; and/or (iii) a petition for extension of time where the petition for extension of time was transmitted to the Office by the non-lawyer assistant and where the petition for extension of time's transmittal date preceded the Office's receipt date by more than thirty (30) days;
 - (2) The non-lawyer assistant transmitted any paper in the application to the Office at any time between January 1, 2004, and December 31, 2006; and
 - (3) The Office issued a patent on the application at any time;
- h. For each patent application identified by Respondent pursuant to the preceding subparagraph, Respondent shall identify the present client(s) and former client(s) for whom patent legal services on the application were performed;
- i. For each present and former client(s) identified by Respondent pursuant to the preceding subparagraph, Respondent shall provide each such present and former client(s) with the following documents:
 - (1) A copy of the April 10, 2014 declaration executed by the non-lawyer assistant with the patent application serial numbers redacted; and
 - (2) A copy of the redacted Final Order;
- j. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent

Application No. [REDACTED] of the specific false statements described in ¶ 14 of the April 10, 2014 declaration;²

- k. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the specific potentially false statements described in ¶ 15 of the April 10, 2014 declaration;
- l. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the specific potentially false statements described in ¶ 15 of the April 10, 2014 declaration;
- m. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the specific potentially false statements described in ¶ 15 of the April 10, 2014 declaration;
- n. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the specific potentially false statements described in ¶ 15 of the April 10, 2014 declaration;
- o. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the specific potentially false statements described in ¶ 15 of the April 10, 2014 declaration;
- p. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the specific potentially false statements described in ¶ 16 of the April 10, 2014 declaration and the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- q. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- r. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent

² The patent application serial number identified in ¶ 14 of the April 10, 2014 declaration as "[REDACTED]" is incorrect. The correct serial number is [REDACTED]

Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;

- s. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- t. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- u. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with of U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- v. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- w. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- x. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with of U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- y. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- z. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;³

³ The patent application serial number identified in ¶ 14 of the April 10, 2014 declaration as "[REDACTED]" is incorrect. The correct serial number is [REDACTED]

- aa. Respondent shall also provide unambiguous written notification to the present and former client(s) that Respondent represented in connection with U.S. Patent Application No. [REDACTED] of the potential backdating of certificates of mailing described in ¶ 17 of the April 10, 2014 declaration;
- bb. Within 120 days of the day that the Final Order is signed, Respondent shall submit the following to the OED Director: (1) an affidavit or declaration attesting to his compliance with the terms of this Agreement and the Final Order for notifying present and former client(s) as set forth in subparagraphs i. through aa., above, and (2) a copy of the correspondence to clients, including the written notifications transmitted to the current and former client(s), evidencing his compliance with the terms of this Agreement and the Final Order for notifying present and former client(s); the client correspondence provided to the OED in accordance with this subparagraph shall be marked "CONFIDENTIAL" by the Respondent, and the OED shall keep the correspondence confidential;
- cc. (1) If the OED Director is of the good faith opinion that Respondent, during Respondent's probationary period, failed to comply with any provision of the Agreement, this Final Order, or any provision of the USPTO Rules of Professional Conduct, the OED Director shall:
- (A) Issue to Respondent an Order to Show Cause why the USPTO Director should not enter an order immediately suspending Respondent for up to twenty-four (24) months for the violation set forth in paragraph 19, above;
 - (B) Send the Order to Show Cause to Respondent at the last address of record Respondent furnished to the OED Director pursuant to 37 C.F.R. § 11.11; and
 - (C) Grant Respondent thirty (30) days to respond to the Order to Show Cause; and
- (2) In the event that after the 30-day period for response and consideration of the response, if any, received from Respondent, the OED Director continues to be of the opinion that Respondent, during Respondent's probationary period, failed to comply with any provision of the Agreement, this Final Order, or any provision of the USPTO Rules of Professional Conduct, the OED Director shall:
- (A) Deliver to the USPTO Director: (i) the Order to Show Cause; (ii) Respondent's response to the Order to Show Cause, if any; and (iii) argument and evidence causing the OED Director to be of the opinion that Respondent, during Respondent's probationary period, failed to comply with any provision of the Agreement, Final Order, or any provision of the USPTO Rules of Professional Conduct; and

- (B) Request that the USPTO Director enter an order immediately suspending Respondent for up to twenty-four (24) months for the violation set forth in paragraph 19, above;
- dd. Nothing herein shall prevent the OED Director from seeking discipline for the misconduct leading to Respondent's suspension pursuant to the preceding subparagraph;
- ee. In the event the USPTO Director suspends Respondent pursuant to subparagraph cc., above, and Respondent seeks a review of the suspension, any such review of the suspension shall not operate to postpone or otherwise hold in abeyance the suspension;
- ff. The OED Director shall comply with 37 C.F.R. § 11.59 except that [REDACTED] name and all patent application serial numbers shall be redacted from the Final Order.
- gg. The OED Director shall electronically publish the Final Order at the Office of Enrollment and Discipline's electronic FOIA Reading Room, which is publicly accessible at <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
- hh. The OED Director shall publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Discipline

This notice concerns Tracy W. Druce of Houston, Texas (Registration No. 35,493), who previously left the United States Patent and Trademark Office ("USPTO" or "Office") register of practitioners. The USPTO Director has ordered that, if Mr. Druce is reinstated to the register of practitioners, then he shall be suspended from practice before the Office in patent, trademark, and other non-patent matters for twenty-four (24) months, with the entirety of the suspension stayed, for violating 37 C.F.R. § 10.77(c) (a practitioner shall not neglect a legal matter entrusted to the practitioner). Mr. Druce will also be required to serve a twenty-four (24) month period of probation upon being reinstated to the register.

Mr. Druce was responsible for the supervision of a non-lawyer assistant who, from at least 2004 through 2006, submitted, with intent to deceive, knowingly false statements to the Office in many patent applications that Mr. Druce was responsible for prosecuting on behalf of clients. The non-lawyer assistant did the following: (1) fabricated email confirmation messages and submitted the fabricated emails to the Office as evidence that papers had been sent to the Office via facsimile transmission when, in fact, the papers were never sent to the

Office; (2) affixed USPTO receipt stamps to postcards and submitted the doctored postcard receipts to the Office as evidence that the Office had received papers when, in fact, the papers were never sent to the Office; (3) fabricated a United States Postal Service Express Mail label that falsely represented that a patent application had been mailed to the Office on a certain date when, in fact, the application had never been sent to the Office; and (4) backdated certificates of mailing that falsely represented that papers had been mailed to the Office weeks and/or months earlier than they actually had been sent.

The violation of 37 C.F.R. § 10.77(c) is predicated upon Mr. Druce not adequately supervising a non-lawyer assistant.

Mr. Druce represents that he did not have actual knowledge of the non-lawyer assistant's false submissions to the Office, and the non-lawyer assistant represents that he acted alone and kept his misconduct secret from Mr. Druce.

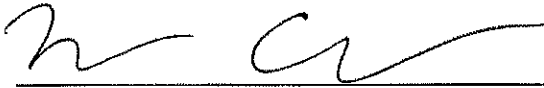
In reaching a settlement with Mr. Druce, OED Director took into consideration the following: (a) the non-lawyer assistant's misconduct occurred many years ago in 2004, 2005, and 2006; (b) Mr. Druce cooperated with the investigation of the facts and circumstances involved in this disciplinary proceeding; and (c) Mr. Druce will take prompt action to notify present and former clients about the misconduct committed in patent applications where patents were granted.

This action is the result of a settlement agreement between Respondent and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.26 and 11.59. Disciplinary decisions involving practitioners are posted for public reading at the Office of Enrollment and Discipline Reading Room, available at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.

- ii. Nothing in this Agreement or the Final Order approving this Agreement shall prevent the Office from considering the record of this disciplinary proceeding (1) when addressing any further complaint or evidence of the same or similar misconduct concerning Respondent brought to the attention of the Office; and/or (2) in any future disciplinary proceeding against Respondent (a) as an aggravating factor to be taken into consideration in determining any discipline to be imposed and/or (b) to rebut any statement or representation by or on Respondent's behalf;
- jj. The OED Director shall file a motion with the administrative law judge requesting the dismissal of the pending disciplinary proceeding within fourteen (14) days of the date of the Final Order; and

kk. The OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of this Agreement and the Final Order.

The foregoing is understood and agreed to by:



for JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

SEP - 5 2014

Date

on behalf of

Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property
and Deputy Director of the United States Patent and Trademark Office

cc: Director of the Office of Enrollment and Discipline
United States Patent and Trademark Office

Abbe David Lowell
Chadbourn & Parke LLP
30 Rockefeller Plaza, New York, NY 10112
Respondent's Counsel

Christopher Man
Chadbourn & Parke LLP
1200 New Hampshire Ave N.W., Washington, DC 20036
Respondent's Counsel

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of)	
)	
Lawrence Radanovic,)	
	)	Proceeding No. D2014-29
Respondent)	
_____)	

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Lawrence Radanovic (“Respondent”) have submitted a Proposed Settlement Agreement (“Agreement”) to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“USPTO Director”) for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusion, and sanctions.

Jurisdiction

1. At all times relevant hereto, Respondent of Washington, D.C., was a registered patent attorney (Registration No. 23,077) and was subject to the USPTO Code of Professional Responsibility, which is set forth at 37 C.F.R. § 10.20 *et seq.*¹

2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19 and 11.26.

Stipulated Facts

3. The USPTO registered Respondent as a patent agent on June 1, 1966 and as a patent attorney on September 28, 1967.

4. Respondent’s registration number is 23,077.

5. Respondent was admitted to the District of Columbia Bar on July 20, 1967 and is a member in good standing.

¹ The USPTO Code of Professional Responsibility, 37 C.F.R. §10.20 *et seq.*, applies to Respondent’s alleged misconduct that occurred prior to May 3, 2013. The USPTO Rules of Professional Conduct, 37 C.F.R. § 11.101 *et seq.*, apply to Respondent’s alleged misconduct occurring after May 2, 2013.

6. In 2009, Respondent filed a patent application and undertook joint representation of Dr. John McCoy and Mr. Rajesh Patel who were named as joint inventors in the patent application.

7. Respondent did not enter into a written engagement agreement with Dr. McCoy and Mr. Patel.

8. As early as October 2011, Respondent became aware that Dr. McCoy was concerned about whether Mr. Patel had contributed to the invention. Respondent gave advice to Dr. McCoy regarding inventorship but he did not discuss inventorship with Mr. Patel.

9. A notice of allowance in the patent application issued in December 2012 and Respondent paid the issue fee on January 17, 2013. Almost immediately an inventorship dispute arose between Dr. McCoy and Mr. Patel.

10. Respondent knew as of January 28, 2013 that Dr. McCoy claimed that Mr. Patel had made no inventive contribution and that Dr. McCoy asserted that he was the sole inventor of the allowed claims. Despite this knowledge, Respondent continued to represent both Dr. McCoy and Mr. Patel.

11. In February 2013, Respondent hired a third-party patent attorney to investigate and render an opinion regarding the inventorship of the allowed claims. In a report dated April 8, 2013, the attorney concluded that the sole inventor was Dr. McCoy.

12. Mr. Patel never provided the third-party patent attorney with evidence of his contribution to the allowed claimed subject matter in the patent application.

13. In early 2013, Respondent discussed with Dr. McCoy how to remove Mr. Patel's name as an inventor on the soon to be issued patent. He did not have any similar conversations with Mr. Patel, and did not keep Mr. Patel informed of the communications with Dr. McCoy regarding inventorship.

14. Respondent attempted to get his clients to agree to a binding arbitration/mediation on the inventorship issue. The intended purpose of the arbitration/mediation was for an independent determination of inventorship. It was intended that the parties would act to formalize the determination by filing a certificate of correction under 37 C.F.R. § 1.324, in the event that Dr. McCoy was found to be the sole inventor. Mr. Patel did not agree to participate.

15. On May 3, 2013, on instructions from Dr. McCoy, Respondent filed a petition expressly abandoning the allowed patent application and filed a continuation patent application naming Dr. McCoy as the sole inventor. He did not advise Mr. Patel of either filing.

16. Mr. Patel terminated Respondent's representation on May 8, 2013.

17. The express abandonment was accepted and the parent patent application officially became abandoned on May 10, 2013.

18. Respondent continued to represent Dr. McCoy in the new patent application, but later withdrew as counsel of record for Dr. McCoy in September 2014.

19. Respondent represents that he does not believe, under 37 C.F.R. § 1.45(c), there were differing interests between Dr. McCoy and Mr. Patel, or that his representation of Dr. McCoy was directly adverse to Mr. Patel, because there was no evidence from Mr. Patel that he made a contribution to the allowed claimed subject matter in the parent patent application or to the claims of the continuation application.

Joint Legal Conclusions

20. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 10.66(b) (a practitioner shall not continue multiple employment if the exercise of the practitioner's independent professional judgment in behalf of the client will be or is likely to be adversely affected by the practitioner's representation of another client, or if it would be likely to involve the practitioner in representing differing interests) by continuing to represent Mr. Patel when he knew the representation would likely be adversely affected by his representation of Dr. McCoy, and Mr. Patel did not consent after full disclosure of the possible effect of such representation on the exercise of the practitioner's independent professional judgment on Mr. Patel's behalf.

21. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.107(a) (a practitioner shall not represent a client if the representation of one client will be directly adverse to another, or where there is a significant risk that the representation of a client will be materially limited by the practitioners' responsibilities to another) by continuing to represent both Dr. McCoy and Mr. Patel as co-inventors when their interests were directly adverse. He also violated 37 C.F.R. § 11.107(a) by continuing to represent Mr. Patel when his representation of Mr. Patel was materially limited by his responsibilities to Dr. McCoy.

22. Respondent admits that, based on the above stipulated facts, he violated 37 C.F.R. § 11.109(a) (a practitioner who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client gives informed consent, confirmed in writing) by representing Dr. McCoy after May 8, 2013, when he had previously represented both Dr. McCoy and Mr. Patel as co-inventors of the same invention, Dr. McCoy's claim to be the sole inventor was materially adverse to Mr. Patel's interests, and Mr. Patel did not give informed consent in writing to the representation.

23. In mitigation, the OED Director has taken into consideration that Respondent has been a member of the patent bar for almost 50 years, has no disciplinary history, and had no dishonest or selfish motive.

Agreed Upon Sanction

24. Respondent agrees and it is hereby ORDERED that:
- a. Respondent is hereby publicly reprimanded;
 - b. The OED Director shall comply with 37 C.F.R. § 11.59;
 - c. The OED Director shall publish the Final Order at the OED's electronic FOIA Reading Room, which is publicly accessible through the Office's website at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
 - d. The OED Director shall publish the following notice in the *Official Gazette*:


Notice of Reprimand

This notice regards Lawrence Radanovic of Washington, D.C., a registered patent attorney (Registration Number 23,077). The United States Patent and Trademark Office ("USPTO" or "Office") has reprimanded Mr. Radanovic for violating USPTO Disciplinary Rules 10.66(b) and USPTO Rules of Professional Conduct 11.107(a) and 11.109(a). The USPTO Code of Professional Responsibility, 37 C.F.R. §10.20 *et seq.*, applies to Respondent's alleged misconduct that occurred prior to May 3, 2013. The USPTO Rules of Professional Conduct, 37 C.F.R. § 11.101 *et seq.*, apply to Respondent's alleged misconduct occurring after May 2, 2013.

Mr. Radanovic undertook joint representation of two applicants in a patent application. Mr. Radanovic continued to represent both applicants after he became aware of an inventorship dispute. When it appeared that the dispute was irreconcilable, instead of withdrawing Mr. Radanovic filed a petition which expressly abandoned the original patent application and filed a continuation application naming one of the two applicants as the sole inventor. Mr. Radanovic failed to inform the excluded applicant that he had abandoned the original application and continued to represent the first applicant in the matter, despite the conflict of interest with his former client, the second applicant.

This action is the result of a settlement agreement between Mr. Radanovic and the OED Director pursuant to the provisions of 35 U.S.C. § 2(b)(2)(D) and 37 C.F.R. §§ 11.20, 11.26, and 11.59. Disciplinary decisions involving practitioners are posted at the OED's Reading Room, which is publicly accessible at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.

- e. Nothing in this Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including the Final Order:
 - (1) when addressing any further complaint or evidence of the same or similar misconduct concerning Respondent brought to the attention of the Office; and/or
 - (2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed and/or (ii) to rebut any statement or representation by or on Respondent's behalf;
- f. The OED Director shall file a motion with the administrative law judge requesting the dismissal of the pending disciplinary proceeding within fourteen (14) days of the date of the Final Order; and
- g. The OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of this Agreement and the Final Order.


JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

DEC 16 2014
Date

on behalf of

Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office

cc:
Director of the Office of Enrollment and Discipline
U.S. Patent and Trademark Office

Cameron K. Weiffenbach
Miles & Stockbridge P.C.
1751 Pinnacle Drive, Suite 500
McLean, VA 22102-3833
Counsel for Respondent, Lawrence Radanovic

Lawrence Radanovic
3565 Brandywine St., N.W.
Washington, D.C. 20008-2912

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE ADMINISTRATIVE LAW JUDGE**

In the Matter of:

David M. Hill,

Respondent.

Proceeding No. D2014-41

INITIAL DECISION ON DEFAULT

I. Procedural History

This proceeding was initiated on October 6, 2014, with the filing of a Complaint and Notice of Proceedings Under 35 U.S.C. § 32 (“Complaint”) by William R. Covey, Director of the Office of Enrollment and Discipline (“OED”) for the United States Patent and Trademark Office (“USPTO” or “PTO”), against David M. Hill (“Respondent”). The Complaint alleges in five counts that Respondent, a registered patent attorney before the PTO, committed violations of the PTO Code of Professional Responsibility, 37 C.F.R. Sections 20.20 *et seq.* (2012), and the PTO Rules of Professional Conduct, 37 C.F.R. Sections 11.101 through 11.901 (2013) (“Rules of Conduct”).¹ Those counts involve allegations of: (1) neglect and failure to properly remit client funds to pay a Patent Cooperation Treaty (“PCT”) application filing fee; (2) making misrepresentations regarding that PCT application; (3) neglect and failure to properly remit client funds to pay a filing fee for Non-Provisional Patent Application No. [REDACTED] (“the [REDACTED] Application”); (4) neglect regarding Patent Application No. [REDACTED] (“the [REDACTED] Application”); and (5) failure to hold client funds separately and to cooperate in an OED investigation. For these violations, OED seeks entry of an order excluding Respondent from practice before the PTO in patent, trademark, and other non-patent cases or matters,” and “such additional relief as this Tribunal deems reasonable and warranted.” Complaint at 21.

Respondent has not filed an answer or any other response to the Complaint. On January 22, 2015, the OED Director filed a Motion for Entry of Default Judgment and Imposition of Disciplinary Sanction and a separate Memorandum of Points and Authorities in Support of Motion for Entry of Default Judgment and Imposition of Disciplinary Sanction (hereinafter cited as “Memorandum” or “Memo.”). To date, Respondent has not filed any response to the Motion.

II. Service and Default

¹The PTO Disciplinary Rules were amended effective May 3, 2013. Changes to Representation of Others Before The United States Patent and Trademark Office, 78 Fed. Reg. 20,180 (Apr. 3, 2013). The misconduct alleged against Respondent in the present case occurred both before and after May 3, 2013. See Complaint at 2 n.1.

The procedural rules governing PTO disciplinary proceedings are codified at 37 C.F.R. §§ 11.19 - 11.60 ("Procedural Rules"). In regard to serving a Complaint, Rule 11.35 provides in pertinent part:

(a) A complaint may be served on a respondent in any of the following methods:

(1) By delivering a copy of the complaint personally to the respondent . . .

(2) By mailing a copy of the complaint by "Express Mail," first-class mail, or any delivery service that provides ability to confirm delivery or attempted delivery to:

(i) A respondent who is a registered practitioner at the address provided to OED pursuant to § 11.11,² or

(3) By any method mutually agreeable to the OED Director and the respondent.

37 C.F.R. § 11.35(a)(1)-(3).

In the Memorandum, the OED Director states that the last address Respondent, a registered PTO practitioner, provided to the PTO pursuant to Rule 11.11 was: "Mr. David M. Hill, Law Office of David M. Hill, 74 Rolling Way, New Rochelle, NY 10804-2406." Memo. at 1-2. On October 6, 2014, the Director attempted to serve the Complaint upon Respondent by sending a copy of it to him at that address by certified mail, return receipt requested. *Id.*; Certificate of Service accompanying the Complaint.³ The Director states that Respondent did not claim the Complaint sent via certified mail and the U.S. Postal Service subsequently determined that the unclaimed envelope "may have been misplaced." *Id.*

On November 17, 2014, having noted the lack of an Answer or any other response from Respondent, the Director resent the Complaint to Respondent at the same address via certified

²Rule 11.11 requires an attorney or agent registered to appear before the PTO to "notify the OED Director of his or her postal address for his or her office, . . . e-mail addresses . . . , and a business telephone number, as well as every change to any of said addresses or telephone number within thirty days of the date of the change." 37 C.F.R. § 11.11(a).

³Additionally, as a courtesy, the Complaint was also sent that day by the PTO to Respondent via regular U.S. mail and by email to the electronic mail address used by Respondent to communicate with OED during its investigation of this matter, specifically: hilld@dmhiplaw.com. Memo. at 2; Certificate of Service accompanying the Complaint; Memo. Attachment ("Att.") B. The Director states that the Complaint sent by regular mail on October 6, 2014 was not returned to PTO. Memo. at 2.

mail, return receipt requested, regular mail, and UPS Next Day Air. Memo. at 2; Memo. Att. A. US Next Day Air confirmed its delivery of the Complaint to Respondent's address on November 18, 2014 at 9:54 a.m.⁴ *Id.*

Ten days later, on November 28, 2014, the OED Director states he received a letter from Respondent dated November 21, 2014. Memo. at 3; Memo. Att. C. In the letter, Respondent acknowledged receipt of the Complaint on November 19, 2014 via UPS Next Day Air, and requested an extension of time to file his Answer until December 19, 2014 or "30 days from the delivery date of the Complaint via Next Day Air." *Id.* Respondent claimed in his letter that he was unaware of the Complaint until November 19, 2014.⁵ *Id.* Respondent did not file that letter with this Tribunal.

The OED Director responded to Respondent's letter in writing on December 1, 2014. Memo. at 3; Memo. Att. D. In his correspondence, the Director advised Respondent that this Tribunal, not PTO's Solicitor's Office, had authority to grant him an extension of time to answer, citing 37 C.F.R. § 11.36(b), and provided the addresses where such an extension request could be filed with this Tribunal. *Id.* OED's letter also stated that Respondent could represent to this Tribunal that the Director did not oppose his request for an extension until December 19, 2014, to file its Answer, citing 37 C.F.R. § 11.43. *Id.* PTO's letter was sent to Respondent via UPS Next Day Air, certified mail, regular U.S. mail, and email. *Id.* Attachments to the Memorandum show that the email was delivered on December 1, 2014, at 4:18 p.m. and the letter was delivered by UPS Next Day Air on December 3, 2014, at 9:56 a.m. Memo. at 3; Memo. Att. D and Att. E.

On December 16, 2014, counsel for the Director sent another letter to Respondent. Mot at 3; Memo. Att. F. This letter stated that, because Respondent had not filed an Answer nor an extension request with this Tribunal, the Director intended to file a motion for default judgment, unless Respondent filed an Answer or extension request by December 24, 2014. *Id.* PTO's letter dated December 16, 2014, was sent to Respondent via UPS Next Day Air, certified mail, regular U.S. mail, and email. *Id.* Attachment F to the Memorandum includes confirmation of delivery of this letter via email on December 16, 2014, at 2:12 p.m. and via UPS on December 17, 2014, at 10:22 a.m. *Id.*

Although Respondent was not personally served with the Complaint and did not personally sign a delivery slip for either the Complaint sent to him by certified mail or UPS Next Day Air, the undersigned nevertheless finds that Respondent was duly served in this proceeding. The Complaint was mailed to Respondent via UPS Next Day Air which confirmed its "delivery

⁴On November 18, 2014, counsel for the Director also resent the Complaint to Respondent via email at 4:12 p.m. and received confirmation of its delivery. Memo. at 2; Memo. Att. B at 1-2.

⁵Nevertheless, it is noted that the letterhead on Respondent's correspondence identifies both the same street address and e-mail address as was used by the PTO to send the Complaint in October 2014. Memo. at 1-2; Memo. Att. C.

or attempted delivery” of the Complaint to Respondent on November 18, 2014 at 9:54 a.m. at the address he provided to the OED Director pursuant to §11.11 and in his correspondence dated November 21, 2014. Memo. at 1-2; Memo. Att. A, Att. C. Further, by his signature on his letter dated November 21, 2014, Respondent personally confirmed delivery to him of the Complaint on November 19, 2014. Memo. Att. C. As such, the PTO properly served Respondent pursuant to 37 C.F.R. § 11.35(a)(2)(i). Additionally, or alternatively, it is found that in his letter dated November 21, 2014, Respondent acquiesces to the adequacy of the service made upon him by the US Next Day Air by acknowledging it as triggering a need to timely file a response. As such, the delivery by US Next Day Air was a “method mutually agreeable to the OED Director and the respondent,” as permitted by 37 C.F.R. § 11.35(a)(3). Memo. Att. C.

Nevertheless, now, almost 90 days after he acknowledged receiving the Complaint, Respondent has yet to file a response of any sort with this Tribunal. Regarding failure to file an Answer to the Complaint, Rules 11.36(d) and 11.36(e) provide:

(d) *Failure to deny allegations in complaint.* Every allegation in the complaint that is not denied by a respondent in the answer shall be deemed to be admitted and may be considered proven. The hearing officer at any hearing need receive no further evidence with respect to that allegation.

(e) *Default judgment.* Failure to timely file an answer will constitute an admission of the allegations in the complaint and may result in entry of default judgment.

37 C.F.R. § 11.36(d)-(e).

Additionally, Respondent has not filed any response to the PTO’s Motion for Default served upon him by certified, regular and e-mail on January 22, 2015, over three weeks ago.⁶

As such, for failing to timely file an Answer, Respondent is hereby found to be in **DEFAULT**, in accordance with 37 C.F.R. §§ 11.35(b) and 11.36(e). Respondent’s failure to file a timely Answer to the Complaint constitutes an admission of the allegations in the Complaint, as recounted below. 37 C.F.R. §§ 11.35(b), 11.36(e).

III. Findings of Fact and Conclusions of Law on Liability

⁶The Rules provide that the hearing officer determines the time period in which a response to a motion must be filed. 37 C.F.R. § 11.43. In the context of a motion for default where, as here “the respondent has not answered the complaint or otherwise appeared in the proceeding, it is not necessary to allow time for a response” to the Motion. *Bovard v. Uland*, at 2, Proceeding No. D99-03 (Aug. 3, 1999). Nevertheless, as a courtesy to Respondent, he has been given a significant time to file a response to the Motion for Default.

1. On March 24, 2000, Respondent was registered as a patent attorney (registration no. 46,170).
2. Respondent was admitted to practice law in the State of New York.
3. Respondent's acts and omissions leading to the violations cited herein were willful.

Count 1

4. On or about June 21, 2010, Respondent entered into a written attorney-client agreement with [REDACTED] ("[REDACTED]") to represent [REDACTED] as "intellectual property counsel in connection with one or more patent prosecution matters including the preparation and filing of provisional and/or nonprovisional applications(s), related to [his] new method(s) and/or devices(s)." One of [REDACTED]' inventions was a method [REDACTED]
[REDACTED]
5. On April 24, 2011, Respondent prepared and filed U.S. Provisional Patent Application No. [REDACTED] ("the [REDACTED] application") regarding a method for [REDACTED]
6. On September 15, 2011, Respondent prepared and filed U.S. Non-Provisional Patent Application No. [REDACTED] ("the [REDACTED] application") claiming priority to the [REDACTED] application,
7. On March 16, 2012, March 22, 2012, April 2, 2012, and April 5, 2012, Respondent sent an email to [REDACTED] reminding [REDACTED], among other things, that the filing deadline for an international patent application claiming priority to the [REDACTED] and [REDACTED] applications was April 23, 2012. Respondent requested information from [REDACTED] as to how he wished to proceed.
8. On April 5, 2012, [REDACTED] sent an email to Respondent inquiring as to the cost of proceeding with the international patent protection for his method invention.
9. On April 6, 2012, Respondent sent an email to [REDACTED] informing him that the costs associated with filing for international patent protection for his method invention would be \$900 for Respondent's attorney fee, and \$3,773 in filing fees to be paid to the USPTO.
10. On that same date, [REDACTED] advised Respondent to prepare and file the PCT international application claiming priority to the [REDACTED] and [REDACTED] applications.

11. On April 23, 2012, Respondent prepared and filed PCT Application No. [REDACTED] (the "PCT application") and sent [REDACTED] an email informing him of same. The email attached an invoice for the fees associated with the filing of the PCT application.
12. On May 4, 2012, the USPTO issued its "Notification Concerning Payment of Prescribed Fees" (the "Notification") in the PCT application. Respondent received the Notification shortly thereafter. The Notification required payment of the \$3,338 in filing fees for the PCT application within one month.
13. On or about May 7, 2012, [REDACTED] sent Respondent a check in the amount of \$3,792.95 in partial payment of the legal fees, filing fees, and expenses associated with the PCT application.
14. On May 7, 2012, the USPTO issued its "Invitation to Correct Defects in the International Application" (the "Invitation") in the PCT application. The Invitation advised that there was a defect in the filing; specifically, a failure to number the drawings sheets in consecutive Arabic numerals, which needed to be corrected and submitted within two months. Respondent received the Invitation shortly after it was issued.
15. On May 9, 2012, Respondent sent [REDACTED] an email attaching the Notification, as well as an invoice, and advising [REDACTED] that the fees associated with the filing of the PCT application were higher than initially quoted.
16. On or about May 10, 2012, Respondent received and deposited [REDACTED]' check in the amount of \$3,792.95 into Respondent's JP Morgan Chase Bank account ending in 4366.
17. On May 23, 2012, Respondent filed his reply to the Invitation. On that same date, Respondent also submitted his check number 165, drawn on another JP Morgan Chase Bank account ending in 0885, in the amount of \$2,938, for the filing fees required for the PCT application. The USPTO received Respondent's reply and check on May 29, 2012.
18. On June 5, 2012, the USPTO attempted to deposit Respondent's check number 165, but the check was returned by the bank due to insufficient funds in Respondent's account number ending in 0885.
19. On June 13, 2012, the USPTO sent Respondent an "Invitation to Pay Prescribed Fees Together with Late Payment Fee." The June 13, 2012 correspondence explained that Respondent had one month to pay the filing fees of \$3,388, plus a surcharge of \$726.50 for a late payment fee, and a \$50 charge for the returned

- check fee. Respondent received the June 13, 2012 notice shortly thereafter.
20. At no time between June 13, 2012 and July 17, 2012, did Respondent respond to the June 13, 2012 correspondence referenced in paragraph 19 above, nor did he forward the amount due to the USPTO.
 21. On July 17, 2012, USPTO sent Respondent a "Notification that International Application Considered to Be Withdrawn," which stated that the PCT application had been withdrawn due to a failure to pay the required fees. Respondent received the July 17, 2012 notice shortly thereafter.
 22. At no time did Respondent take any further action on the PCT application on [REDACTED] behalf.
 23. At no time did Respondent inform [REDACTED] that the PCT application had been withdrawn.
 24. At all times relevant to this Count of the Complaint, pursuant to the PCT Applicant's Guide ¶ 6.054, the Rules Governing PCT Applications did not expressly provide for any appeal or petition from an unfavorable decision by the receiving Office during the international phase.
 25. At all times relevant to this Count of the Complaint, Respondent knew or should have known of the provisions contained within PCT Applicant's Guide ¶ 6.054.
 26. [REDACTED]' PCT application is now considered to be withdrawn and cannot be revived.
 27. By reason of the conduct described above in Count 1, Respondent has engaged in the following misconduct subjecting him to sanction:
 - a. failure to inform a client of correspondence received from the Office when the correspondence could have a significant effect on a matter pending before the Office, is received by the practitioner on behalf of a client, and is correspondence which a reasonable practitioner would believe under the circumstance that the client should be notified, by failing to notify [REDACTED] of the July 17, 2012 withdrawal of the PCT application, in violation of 37 C.F.R. § 10.23(c)(8) of the USPTO Code of Professional Responsibility;
 - b. misappropriation of, or failure to properly or timely remit, funds received by a practitioner from a client to pay a fee which the client is required to pay to the Office, by the dishonoring of Respondent's check number 165, in violation of 37 C.F.R. § 10.23(c)(3) of the USPTO Code of Professional

Responsibility;

- c. neglect of a legal matter entrusted to the practitioner, by failing to receive or address USPTO communications that led to the withdrawal of a PCT application, in violation of 37 C.F.R. § 10.77(c) of the USPTO Code of Professional Responsibility;
- d. failure to seek the lawful objectives of a client through reasonable available means, in the prosecution of the PCT application, in violation of 37 C.F.R. § 10.84(a)(1) of the USPTO Code of Professional Responsibility;
- e. failure to carry out a contract of employment entered into with a client for professional services, in the prosecution of the PCT application, in violation of 37 C.F.R. § 10.84(a)(2) of the USPTO Code of Professional Responsibility; and
- f. prejudice or damage to a client during the course of a professional relationship, the inability to revive the PCT application, in violation of 37 C.F.R. § 10.84(a)(3) of the USPTO Code of Professional Responsibility.

Count 2

- 28. At all times after July 17, 2012, Respondent knew or should have known that the PCT application had been withdrawn as a result of his failure to pay the filing fees.
- 29. On November 25, 2012, Respondent sent an email to [REDACTED] advising him, among other things, that he had received a copy of the International Search Report and Written Opinion from the Korean International Patent Office in relation to the PCT application.
- 30. On February 18, 2013, [REDACTED] notified Respondent via email that he was terminating Respondent's services and transferring his legal matters to successor counsel. At that time, [REDACTED] requested that Respondent provide him with the PCT application filing receipt, including the application number and filing date, International Search Report and Written Opinion from the Korean International Patent Office, and all correspondence regarding all of the patent applications.
- 31. On February 24, 2013, Respondent mailed the documents requested by [REDACTED] and sent an email to [REDACTED] confirming same. Respondent did not include any of the prior correspondence received by him from the USPTO

regarding the PCT application. In addition, Respondent enclosed a copy of the front of his check number 165 reflecting his purported payment of the filing fees for the PCT application.

32. At no time in either his email or letter of February 24, 2013, did Respondent advise [REDACTED] that the PCT application had been deemed withdrawn. At no time did he inform [REDACTED] that Respondent's check number 165 had been returned by his bank due to insufficient funds in his account.
33. Following [REDACTED]' and his successor counsel's review of the documents provided by Respondent, and their subsequent contact with the USPTO, on March 12, 2013, [REDACTED] sent Respondent an email advising Respondent that he had learned that the PCT application had been "abandoned because of non-payment of fees." [REDACTED] requested that Respondent "deal with this issue promptly and reply to [him] immediately."
34. On March 13, 2013, Respondent sent [REDACTED] an email stating the following:
[REDACTED],
I will check into this and get back to you, but as an initial point I wanted to let you know that the PCT Receiving Office at the USPTO received the funds for the filing fees for your application and I received no notification of any abandonment. I will keep you apprised of the status of my inquiry.
Regards, Dave.
35. Respondent knew or should have known that his statement that the USPTO received the funds for the filings fees and that he did not receive any notification of any abandonment was false and misleading because as of June 13, 2012, Respondent knew his check number 165 for filing fees had been dishonored by his bank, and as of July 17, 2012, Respondent knew the PCT application had been withdrawn.
36. On March 15, 2013, [REDACTED] sent a further email to Respondent requesting that Respondent "give [him] a clear explanation of what has happened, and please keep [him] informed of [his] progress in clarifying and resolving the issue." Respondent received [REDACTED]' March 15, 2013 email shortly thereafter.
37. Respondent did not respond to [REDACTED]' March 15, 2013 email.
38. On March 19, 2013, [REDACTED] sent Respondent another email stating that he expected "a reply today regarding the status of the PCT application." [REDACTED] also requested a "detailed explanation of any adverse issues." [REDACTED] advised Respondent that if Respondent did not respond with the requested information, he would be forced to pursue alternative actions.

39. On March 20, 2013, Respondent sent [REDACTED] an email stating the following:
- [REDACTED],
- This will confirm that I have spoken with the receiving office at the US Patent Office and am assembling the documentation to submit to them to demonstrate the timely filing of the appropriate documents and fees. I expect to have everything to submit to the PTO this afternoon, and will keep you apprised of the filings.
- Regards, Dave.
40. Respondent knew or should have known that his statement that he had timely filed the appropriate fees with the USPTO was false and misleading because as of June 13, 2012, Respondent knew his check for filing fees had been dishonored by his bank, and as of July 17, 2012, Respondent knew the PCT application had been deemed withdrawn as a result of his failure to remit the filing fees.
41. On March 23, 2013, [REDACTED] sent Respondent an email advising him, among other things, that he wanted to see documentation or proof of payment of the filing fees including a copy of a cancelled check with clear markings showing that the USPTO received and deposited Respondent's check. Respondent received [REDACTED]' March 23, 2013 email shortly after it was sent.
42. At no time did Respondent respond to [REDACTED]' March 23, 2013 email, nor did he provide [REDACTED] with a copy of a cancelled check reflecting payment of the filing fees for the PCT application.
43. By reason of the conduct described above in Count 2, Respondent has engaged in conduct involving dishonesty, fraud, deceit, or misrepresentation by misrepresenting the status of the PCT application to [REDACTED] and failing to provide the client with an accounting despite the client's repeated requests for proof of services rendered, in violation of 37 C.F.R. § 10.23(b)(4) of the USPTO Code of Professional Responsibility.

Count 3

44. On or about September 8, 2012, Respondent entered into a written attorney-client agreement with [REDACTED] ("Mr. [REDACTED]") to represent Mr. [REDACTED] and his company, [REDACTED] as "intellectual property counsel in connection with one or more patent prosecution matters including the preparation and filing of provisional and/or nonprovisional [sic] application(s), related to [his] new method(s) and/or devices(s)." One of these inventions was a [REDACTED]

████ (the "████").

45. On October 12, 2012, Respondent prepared and filed U.S. Non-Provisional Patent Application No. █████ ("the █████ application") for the █████.
46. Mr. █████, and his co-inventor, █████ ("Mr. █████") also executed a Power of Attorney naming Respondent as their attorney before the USPTO and directing the USPTO to address all correspondence to Respondent with respect to the █████ application.
47. On February 22, 2013, Respondent, on behalf of Messrs. █████ and █████, submitted a preliminary amendment, petition for a one-month extension of time, and check number 211, drawn on Respondent's JP Morgan Chase Bank account ending in 0885, in the amount of \$970, in payment of the required filing fees in the █████ application.
48. On March 1, 2013, the USPTO attempted to deposit Respondent's check number 211, but the check was returned due to insufficient funds in the JP Morgan Chase Bank account ending in 0885.
49. On March 11, 2013, the USPTO sent Respondent a "Notice of Incomplete Reply" advising Respondent that his check number 211 had been returned for insufficient funds, and requiring payment of the filing fees, and a \$50 returned check fee, totaling \$945 within two months. Respondent received the USPTO's March 11, 2013 notice shortly thereafter.
50. At no time between March 11, 2013 and July 16, 2013 did Respondent reply to the March 11, 2013 USPTO correspondence or remit the required filing and returned check fees.
51. On July 16, 2013, the USPTO sent Respondent a "Notice of Abandonment" for the █████ application. The USPTO issued the notice because Respondent did not reply to the March 11, 2013 USPTO correspondence, nor did he submit the required filing fees. Respondent received the USPTO's July 16, 2013 correspondence shortly thereafter.
52. At no time did Respondent advise Messrs. █████ or █████ that the █████ application had been abandoned.
53. On September 18, 2013, the Office of Enrollment and Discipline sent Respondent a Request for Information and Evidence ("RFI") requesting information about, among other things, the circumstances surrounding the return of his check number 211 in connection with the █████ application.

54. On October 21, 2013, Respondent filed a Petition to Revive the [REDACTED] application. The USPTO denied Respondent's Petition on November 21, 2013.
55. On December 2, 2013, Respondent filed a Renewed Petition to Revive the [REDACTED] application. The USPTO denied Respondent's Renewed Petition on December 12, 2013.
56. On January 10, 2014, Respondent filed a Second Renewed Petition to Revive the [REDACTED] application. The USPTO granted the Second Renewed Petition on January 27, 2014.
57. By reason of the conduct described above in Count 3 that occurred prior to May 3, 2013, Respondent has engaged in the following misconduct:
- a. failure to inform a client of correspondence received from the Office when the correspondence could have a significant effect on a matter pending before the Office, is received by the practitioner on behalf of a client, and is correspondence which a reasonable practitioner would believe under the circumstances that the client should be notified, by failing to notify Messrs. [REDACTED] and [REDACTED] of the July 16, 2013 notice of abandonment of the [REDACTED] application, in violation of 37 C.F.R. § 10.23(c)(8) of the USPTO Code of Professional Responsibility;
 - b. neglect of a legal matter entrusted to the practitioner, by failing to receive or address USPTO communications that led to the abandonment of the [REDACTED] application, in violation of 37 C.F.R. § 10.77(c) of the USPTO Code of Professional Responsibility;
 - c. failure to seek the lawful objectives of a client through reasonable available means, in the prosecution of the [REDACTED] application, in violation of 37 C.F.R. § 10.84(a)(1) of the USPTO Code of Professional Responsibility; and
 - d. failure to carry out a contract of employment entered into with a client for professional services, in the prosecution of the [REDACTED] application, in violation of 37 C.F.R. § 10.84(a)(2) of the USPTO Code of Professional Responsibility.
58. By reason of the conduct described above in Count 3 that occurred after May 3, 2013, Respondent has engaged in the following misconduct:
- a. failure to act with reasonable diligence and promptness in representing a client, by failing to reply to USPTO correspondence or submit the required fees, in violation of 37 C.F.R. § 11.103 of the USPTO Rules of

Professional Conduct;

- b. failure to promptly inform the client of any decision or circumstance with respect to which the client's informed consent is required by the USPTO Rules of Professional Conduct, by failing to notify Messrs. [REDACTED] and [REDACTED] of the notice of abandonment, in violation of 37 C.F.R. § 11.104(a)(1) of the USPTO Rules of Professional Conduct;
- c. failure to reasonably consult with the client about the means by which the client's objectives are to be accomplished, by failing to notify Messrs. [REDACTED] and [REDACTED] of the notice of abandonment, in violation of 37 C.F.R. § 11.104(a)(2) of the USPTO Rules of Professional Conduct; and
- d. failure to keep the client reasonably informed about the status of a matter, by failing to notify Messrs. [REDACTED] and [REDACTED] of the notice of abandonment, in violation of 37 C.F.R. § 11.104(a)(3) of the USPTO Rules of Professional Conduct.

Count 4

- 59. On February 11, 2013, Respondent prepared and filed U.S. Patent Application No. [REDACTED] ("the [REDACTED] application") for the design of the [REDACTED].
- 60. On March 14, 2013, the USPTO sent Respondent a "Notice of Missing Parts" advising Respondent that he had two months to submit \$330 in filing fees required for the filing of the [REDACTED] application to avoid abandonment of the application. Respondent received the March 14, 2013 notice shortly thereafter.
- 61. On June 17, 2013, Respondent, on behalf of Messrs. [REDACTED] and [REDACTED], submitted to the USPTO a transmittal letter, declaration and power of attorney, and a check in the amount of \$395 in the [REDACTED] application.
- 62. On June 24, 2013, the USPTO mailed Respondent a "Notice to File Missing Parts" advising Respondent that he had two months to submit additional filing fees for the [REDACTED] application to avoid abandonment of the application. Respondent received the USPTO's June 24, 2013 notice shortly thereafter.
- 63. At no time prior to March 10, 2014 did Respondent reply to the USPTO's June 24, 2013 notice or submit the required additional filing fees.
- 64. On March 10, 2014, the USPTO sent Respondent a "Notice of Abandonment" for the [REDACTED] application. The USPTO issued the Notice because Respondent did not reply to the June 24, 2013 USPTO correspondence nor did he submit the required

additional filing fees. Respondent received the USPTO's March 10, 2014 correspondence shortly thereafter.

65. At no time did Respondent advise Messrs. [REDACTED] or [REDACTED] that the [REDACTED] application had been abandoned.
66. On June 20, 2014, Respondent filed a Petition to Revive the [REDACTED] application.
67. The Petition to Revive the [REDACTED] application was dismissed on September 22, 2014 because the Petition was unsigned.
68. By reason of the conduct described above in Count 4, Respondent has engaged in the following misconduct:
 - a. failure to act with reasonable diligence and promptness in representing a client, by failing to reply to USPTO correspondence or submit the required fee, in violation of 37 C.F.R. § 11.103 of the USPTO Rules of Professional Conduct;
 - b. failure to promptly inform the client of any decision or circumstance with respect to which the client's informed consent is required by the USPTO Rules of Professional Conduct, by failing to notify Messrs. [REDACTED] and [REDACTED] of the notice of abandonment, in violation of 37 C.F.R. § 11.104(a)(1) of the USPTO Rules of Professional Conduct;
 - c. failure to reasonably consult with the client about the means by which the client's objectives are to be accomplished, by failing to notify Messrs. [REDACTED] and [REDACTED] of the notice of abandonment, in violation of 37 C.F.R. § 11.104(a)(2) of the USPTO Rules of Professional Conduct; and
 - d. failure to keep the client reasonably informed about the status of a matter, by failing to notify Messrs. [REDACTED] and [REDACTED] of the notice of abandonment, in violation of 37 C.F.R. § 11.104(a)(3) of the USPTO Rules of Professional Conduct.

Count 5

69. On September 18, 2013, OED sent Respondent a Request for Information ("RFI") requesting information about his representation of [REDACTED] and the circumstances surrounding the return of his check numbers 165 and 211. Among the OED's specific requests were the following:
 3. Please explain whether you maintained separate client account funds for

matters relating to PCT Application Number [REDACTED] and U.S. Patent Application No. [REDACTED].

4. If your response to Question #3 is in the affirmative, please provide copies of all deposit slips and deposited items (front and back) into the account related to [REDACTED] from the month of April 2012 to the present.
5. If your response to Question #3 is in the affirmative, please provide copies of all deposit slips and deposited items (front and back) into the account related to Patent Application No. [REDACTED] from the month of October 2012 through the present.
70. On or about October 24, 2013, Respondent responded to OED's September 18, 2013 request. In his response, Respondent stated that the account on which check numbers 165 and 211 were drawn, the JP Morgan Chase Bank account ending in 0885, was an "account utilized for business account funds relating to, among other things, funds for matters relating to [REDACTED] and [REDACTED]." Respondent also stated that "[c]opies of the requested information [the records requested by paragraphs 4 and 5 as referenced above] are being obtained and will be provided shortly under separate cover."
71. At no time prior to January 24, 2014 did Respondent provide the information requested by paragraphs 4 and 5 of the OED's September 18, 2013 letter.
72. On January 24, 2014, OED sent Respondent a second RFI again requesting the information requested in its September 18, 2013 letter regarding the bank records. In the second RFI, OED asked, among other things, that Respondent identify the nature of the bank account in question, JP Morgan Chase Bank account ending in 0885, and provide copies of his account statements.
73. On March 24, 2014, Respondent sent OED his response to the January 24, 2014 letter. Respondent advised OED that "[a]round the time of the issuance or presentment of the checks in question, as part of an ongoing personal tax dispute with the Internal Revenue Service ("IRS"), funds were levied or claimed from this account without notice...."
74. In his March 24, 2014 letter, Respondent further identified the account in question, JP Morgan Chase Bank account ending in 0885 as "an operating/checking account," and that as of September 20, 2013, he had opened an IOLA ("Interest on Lawyer Account Fund") account.
75. With regard to the request to produce certain bank records, Respondent only provided copies of the front and back of three checks issued by [REDACTED] and deposited into an account other than JP Morgan Chase Bank account ending in

0885.

76. At no time prior to May 8, 2014 did Respondent provide the requested bank statements.
77. On May 8, 2014, OED sent Respondent a third RFI again requesting the information requested in its September 18, 2013 and January 24, 2014 RFIs regarding the bank records. In its third RFI, OED asked for, among other things, information regarding Respondent's "personal tax dispute" as referenced in his March 24, 2014 response to OED. Specifically, OED asked for the production of any communication from the IRS to Respondent regarding any debt or action taken on his accounts and federal and state tax transcripts for the years 2006 to the present.
78. The third RFI specifically advised Respondent that:

...the USPTO Rules of Professional Conduct impose an obligation to cooperate with OED in an investigation of any matter before it, and proscribe knowingly failing to respond to a request from OED. See 37 C.F.R. § 11.801(b). In addition, if you do not respond to this request for information or any OED request, the Committee on Discipline may draw an adverse inference in making a determination under 37 C.F.R. § 11.23. See *Baxter v. Palmigiano*, 425 U.S. 308 (1976).
79. On May 27, 2014, Respondent sent a letter to counsel for OED requesting an additional 30 days within which to provide a response, or on or before July 7, 2014.
80. On June 18, 2014, OED granted Respondent's request for an extension of time within which to respond. Respondent's response to the third RFI was due on July 7, 2014.
81. On June 27, 2014, Respondent sent an email to OED requesting an additional month to respond to the third RFI.
82. On July 8, 2014, OED granted Respondent's request for an extension of time within which to respond. Respondent's response to the third RFI was due on August 6, 2014.
83. As of the date of the filing of the Complaint, Respondent did not respond to the third RFI, produce any of the requested bank records, or produce any of the requested tax documents.
84. By reason of the conduct described above in Count 5 that occurred after May 3,

2013, Respondent has engaged in the following misconduct: failure to cooperate with OED in an investigation of any matter before it, and failing to respond to a lawful demand for information from a disciplinary authority, by failing to respond to OED's written requests of September 18, 2013, January 24, 2014 and May 8, 2014, in violation of 37 C.F.R. § 11.801(b) of the USPTO Rules of Professional Conduct.

IV. Sanction

Respondent is found to have violated numerous provisions of PTO's Rules of Conduct, specifically 37 C.F.R. §§ 10.23(b)(4), 10.23(c)(8), 10.23(c)(3), 10.77(c), 10.84(a)(1)-(3), 11.104(a)(1)-(3), 11.103, and 11.801(b). The violations involve with regard to client matters *inter alia*, engaging in acts of neglect, misappropriation, dishonesty, and failure to inform; and in regard to the OED, failure to respond and otherwise cooperate in an investigation. In the Complaint, the Director requests an order "excluding *or suspending* Respondent from practice before the USPTO in patent, trademark, and other non-patent matters," and "such additional relief as this Tribunal deems reasonable and warranted." Complaint at 21 (emphasis added). In the Motion and Memorandum filed, the Director narrows the requested relief to an order "that Respondent be excluded from practice before the Office in patent, trademark, and other non-patent matters" and "awarding all other reasonable relief that the Tribunal deems appropriate and within its authority to enter." Motion at 1; Memo. at 1, 9, 20.

Under the Procedural Rules, in determining the appropriate sanction or penalty to be imposed, this Tribunal must consider:

- (1) Whether the practitioner has violated a duty owed to a client, to the public, to the legal system, or to the profession;
- (2) Whether the practitioner acted intentionally, knowingly, or negligently;
- (3) The amount of the actual or potential injury caused by the practitioner's misconduct; and
- (4) The existence of any aggravating or mitigating factors.

37 C.F.R. § 11.54(b) (2014).

Regarding the first penalty consideration, the Director argues that Respondent violated duties to his clients and the legal profession. Memo. at 11-12. In the USPTO context, "[t]he practitioner-client relationship is a fiduciary relationship," Complainant contends, citing *Bender*, Proceeding No. D2000-01 at 20 (USPTO Sept. 30, 2003), and *Carter v. ALK Holdings, Inc.*, 605 F.3d 1319, 1325 (Fed. Cir. 2010). *Id.* In the present case, Respondent agreed to represent [REDACTED] and Messrs. [REDACTED] and [REDACTED] concerning their patent applications to PTO. However,

the Director asserts that Respondent breached his fiduciary duty to [REDACTED] by taking and converting [REDACTED] money, neglecting his PCT application, and misrepresenting the status of his failure to pay PTO the filing fees. *Id.* Similarly, Respondent violated his duty to Messrs. [REDACTED] and [REDACTED] by neglecting their patent applications and not paying their filing fees. *Id.* Respondent also failed to cooperate and provide information to PTO during investigation of these matters. *Id.* The Director quotes the lawyer disbarment opinion of *Brost*, 850 N.W.2d 699, 705 (Minn. 2014), for the propositions that a lawyer's failure to cooperate in a disciplinary investigation "weakens the public's perception of the legal profession's ability to self-regulate" and "harm[s] the legal profession by undermining the integrity of the attorney disciplinary system." Memo. at 12.⁷

As to the second penalty consideration, PTO asserts that Respondent's misconduct here was intentional and supports the requested sanction of exclusion. Memo. at 12-14. PTO alleges that Respondent violated applicable rules by failing to keep separate accounts, commingling his clients' money with his own, and using his clients' money for his own purposes. Memo. at 12. Respondent failed to inform his clients about the declined payments for patent fees, the notices to submit fees, and the notices of abandonment of the patent applications. *Id.* Further, when queried by [REDACTED], Respondent gave false information about the dishonored check. Memo. at 12-13. Respondent also chose to disregard information requests from PTO. Memo. at 13. A lawyer's deliberate dishonesty with his clients warrants the most severe sanctions, the Director asserts. Memo. at 13-14, citing *Cincinnati Bar Association v. Deaton*, 806 N.E.2d 503, 509 (Ohio 2004) (lawyer disbarred for intentional misrepresentations to multiple clients). Complainant cites several prior PTO disciplinary cases imposing exclusion or suspension on practitioners for dishonesty to their clients. *Goldstein*, Proceeding No. D2014-10 (USPTO March 31, 2014); *Gaudio*, Proceeding No. D2012-12 (USPTO Dec. 12, 2012); *Shippey*, Proceeding No. D2011-27 (USPTO Oct. 14, 2011); *Hormann*, D2008-04 (USPTO July 8, 2009). In addition, the Director provides examples of cases in which states have imposed lengthy suspensions on attorneys who were found to have concealed facts from, or made misrepresentations to, their clients. *Alperin*, 66 A.D.3d 309, 885 N.Y.S.2d 261 (N.Y.A.D. 2009); *Curran*, 152 A.D.2d 111, 547 N.Y.S.2d 795 (4th Dept. 1989); *Iowa Supreme Court Bd. Of Professional Ethics & Conduct v. Stein*, 603 N.W.2d 574 (Iowa 1999); *Witteman*, 737 P.2d 1268 (Wash. 1987); *Morse*, 58 So.2d 1120 (Fla. 1991).

With respect to the injuries caused by Respondent, Complainant states:

Because Respondent failed to pay the filing fees and properly prosecute his client's patent applications, his clients' applications were either withdrawn or abandoned. Thus, [REDACTED] and Messrs. [REDACTED] and [REDACTED] have potentially lost valuable intellectual property rights.

Memo. at 14-15.

⁷The Court in *Brost* also characterized this as an example of the attorney's misconduct causing harm to the public. *Id.*

Prior PTO disciplinary decisions have referenced the American Bar Association's Standards for Imposing Lawyer Sanctions ("ABA Standards"), which provides a list of aggravating and mitigation factors to consider in determining attorney disciplinary sanctions. Memo. at 15, citing *Hormann, supra*, and *Robinson*, Proceeding D2009-28 (USPTO May 26, 2010). The Director avers that four aggravating factors apply in this case. Memo. at 15. The first two aggravating factors concern Respondent's pattern of misconduct and his multiple offenses, in that he committed similar offenses regarding two separate clients. *Id.* Specifically, Respondent "submitted checks for filing fees that were dishonored, repeatedly ignored requests from the USPTO, [and] did not tell his clients about the status of the applications or that they had gone abandoned." *Id.* The Director quotes a statement in the *Shippey* decision that "abandonment of a case or client after being paid for legal services is a significant ethical violation for which attorneys have been disbarred." Memo. at 16. *Shippey, supra*, at 12 (practitioner excluded by default). The Director also cites two state cases imposing serious sanctions based on similar aggravating factors: *People v. Shock*, 970 P.2d 966 (Colo. 1999) (three year suspension); *Cyrus*, 241 P.3d 890 (Alaska 2010) (five year suspension). Memo. at 16.

PTO argues that Respondent's "bad faith obstruction of the disciplinary process" is a third aggravating factor. *Id.* The Director alleges that Respondent repeatedly and intentionally chose not to respond to repeated requests from PTO for production of his bank records and evidence regarding his handling of the filing fee moneys he received from his clients, because Respondent "knew that the records would definitively prove that he did not have sufficient funds in his bank account to cover the filing fees." *Id.* PTO points to several state court cases holding that an attorney's failure to cooperate in his own disciplinary proceeding indicates that he is unfit to practice law. Memo. at 17, citing *Brown*, 910 P.2d 631 (Ariz. 1996), *People v. Reeves*, 766 P.2d 1192 (Colo. 1988), *Lea*, 966 A.2d 881 (D.C. 2009); *Houdek*, 113 Ill.2d 323, 497 N.E.2d 1169 (1986), and *Brody*, 65 Ill.2d 152, 357 N.E.2d 498 (Ill. 1976).

The fourth aggravating factor, a "weighty" one according to PTO, is Respondent's failure "to acknowledge the wrongful nature of his misconduct or show any remorse." Memo. at 17. In support of that proposition, the Director cites the cases of *Weber v. State Bar*, 764 P.2d 701 (Cal. 1988); *Kalla*, 811 N.W.2d 576 (Minn. 2012); and *Dayton Bar Ass'n. v. Hunt*, 987 N.E.2d 662 (Ohio 2013).

PTO does acknowledge that "Respondent has not been disciplined during the nearly 15 years since his March 24, 2000 registration." Memo. at 17. Although this could be considered a mitigating factor under the ABA Standards, Complainant does not believe that Respondent's misconduct in this case warrants any sanction less than exclusion. *Id.*

For all the misconduct committed by Respondent in this case, the Director requests that Respondent be excluded from further practice before the PTO. The Director has cited several cases in which PTO practitioners were excluded for similar misconduct as presented here: *Shippey, supra*; *Chandler*, Proceeding D2011-31 (USPTO Dec. 6, 2011); *Riley, II*, Proceeding

No. D2013-04 (USPTO July 9, 2013); *Muhammad*, Proceeding No. D2013-21 (Jan. 28, 2014).

The purpose of attorney disciplinary proceedings is to protect the public and the justice system from lawyers who are derelict in their professional duties. *Robinson*, Proceeding No. D2009-28 (ALJ, May 26, 2010) (citing *Standards for Imposing Lawyer Sanctions* § 1.1 (1992)). “Abandonment of a case or client after being paid for legal services is a significant” violation of these ethical duties. *Shippey, supra*, at 12. For such violations, attorneys have been disbarred, see *People v. Elliott*, 39 P.3d 551 (Colo. O.P.D.J. 2000); *Lyles*, 494 S.E.2d 338 (Ga. 1998), or excluded from practice before the PTO, see *Shippy*, Proceeding No. D2011-27 (USPTO, Oct. 14, 2011); *Golden*, Proceeding No. D07-09 (USPTO, Apr. 21, 2008) (Initial Decision on Default).

Here, Respondent took on performing work for [REDACTED], accepted a check from him in the amount of \$3792.95 in partial payment of legal fees, filing fees and expenses related to the PCT application, and then failed to pay the requisite funds for filing the application with the PTO, ignored correspondence from the PTO related thereto, allowed the application to be withdrawn with no possibility of revival as a result, and failed to advise his client of the status of the application. Worse yet, upon his client’s inquiry, Respondent blatantly misrepresented the status of the application and failed to cooperate with the OED’s investigation into the matter. Similarly, Respondent took on performing work for Messrs. [REDACTED] and [REDACTED], then failed to diligently pursue the objectives of his clients by not submitting the required filing fees or replying to correspondence from the PTO in a timely manner. Again, Respondent magnified these errors by failing to notify his clients of the status of their patent applications and not cooperating with the OED’s investigation. Respondent’s refusal to cooperate with the OED, and back up the claims made to it, suggest a lack of remorse and an unwillingness to be forthright and take responsibility for his actions.

Although Complainant noted that Respondent had not previously been the subject of PTO discipline, the serious misconduct demonstrated in this case outweighs that potentially mitigating factor. See, e.g., *Shippey, supra*, at 11 (11 years of practice without discipline found not to be mitigating factor where Respondent did not allege such and repeated intentional misconduct supported exclusion); *Muhammad, supra*, at 5 (lack of prior discipline did not mitigate against exclusion, due to Respondent’s brazen misconduct and unwillingness to defend against disciplinary action, and Court’s concern that “leniency would only serve to embolden Respondent”). It is further noted that Respondent chose not to participate in this disciplinary proceeding, not to acknowledge his wrongdoing herein, and not to offer any evidence in mitigation.

After considering the factors enumerated in 37 C.F.R. Section 11.54(b), Respondent’s pattern of abandoning and deceiving multiple clients concerning matters they entrusted to his professional care, and refusing to cooperate with PTO’s investigation, warrants the penalty of exclusion. See *Lyles*, 494 S.E.2d at 339 (pattern of neglecting client matters constituted grounds for disbarment). Therefore, the Director’s request for an order excluding Respondent from the practice of patent, trademark, and other non-patent law before the PTO is **GRANTED**.

Although the Motion itself requests only exclusion, the Complaint and Memorandum

both include a general request for such additional relief as this Tribunal deems appropriate. Complaint at 21; Mem. at 20. However, the Director does not specify what additional relief might be appropriate here, and in the undersigned's view the factual allegations in the record are not precise enough to warrant an additional remedy. Therefore, the Director's request for additional relief is **DENIED**.

ORDER

After careful and deliberate consideration of the above facts and conclusions, as well as the factors identified in 37 C.F.R. Section 11.54(b),

IT IS HEREBY ORDERED that Respondent, **DAVID M. HILL**, PTO Registration No. 46,170, be **EXCLUDED** from the practice of patent, trademark, and other non-patent law before the U.S. Patent and Trademark Office.

Respondent's attention is directed to 37 C.F.R. § 11.58 regarding the duties of excluded practitioners, and 37 C.F.R. § 11.60 concerning any future petition for reinstatement.

The facts and circumstances of this proceeding shall be fully published in the U.S. Patent and Trademark Office's official publication.

SO ORDERED.



Susan L. Biro
Chief Administrative Law Judge
U.S. Environmental Protection Agency⁸

Dated: February 19, 2015
Washington, D.C.

Pursuant to 37 C.F.R. § 11.55, any appeal by the Respondent from this Initial Decision, issued pursuant to 35 U.S.C. § 32 and 37 C.F.R. § 11.54, must be filed with the U.S. Patent and Trademark Office at the address provided in 37 C.F.R. § 1.1(a)(3)(ii) within 30 days after the date of this Initial Decision. Such appeal must include exceptions to the Administrative Law Judge's Decision and supporting reasons therefor. Failure to file

⁸ The Administrative Law Judges of the Environmental Protection Agency are authorized to hear cases pending before the United States Department of Commerce, Patent and Trademark Office, pursuant to an Interagency Agreement effective for a period beginning May 15, 2014.

such an appeal in accordance with 37 C.F.R. § 11.55 will be deemed both an acceptance by Respondent of the Initial Decision and that party's waiver of rights to further administrative and judicial review.

In the Matter of David M. Hill, Respondent
Proceeding No. D2014-41

CERTIFICATE OF SERVICE

I hereby certify that a true copy of **Initial Decision On Default**, dated February 19, 2015 was sent this day in the following manner to the addressees listed below:



Maria Whiting-Beale
Staff Assistant

Copy By Regular Mail And E-Mail To:

Tracy L. Kepler
Melinda DeAtley
Associate Solicitors
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Mr. David M. Hill
Law Office of David M. Hill
74 Rolling Way
New Rochelle, NY 10804
hilld@dmhiplaw.com

Dated: February 19, 2015
Washington, DC

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of)	
)	
Gary Guttenberg,	)	Proceeding No. D2015-15
)	
Practitioner)	
_____)	

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Gary Guttenberg (“Practitioner”), through counsel, have submitted a “Proposed Settlement of Disciplinary Matter Pursuant to 37 C.F.R. § 11.26” (“Agreement”) to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“USPTO Director”) for approval.

Jurisdiction

1. At all times relevant hereto, Practitioner of Stockholm, Sweden, engaged in practice before the Office in trademark matters by filing trademark registration documents with the USPTO and is subject to the USPTO Rules of Professional Conduct set forth at 37 C.F.R. §§ 11.101 through 11.901.

2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. § 11.19.

Stipulated Facts

3. Practitioner is the sole owner of Intellectual Property Services USA Incorporated (“IPS”), which is incorporated in Sweden with a Swedish headquarters address and maintained a correspondence address of 1940 Duke Street, Alexandria, Virginia 22313. IPS is not a certified professional law corporation in California or any other state. Based on information provided by Practitioner, IPS is not a certified professional law corporation in Sweden, as the U.S. equivalent of a “certified professional law corporation” does not exist in Sweden.

4. Practitioner, through IPS, prepared and filed several post-registration trademark documents in trademark registrations before the USPTO.

5. Practitioner, through IPS, filed these post-registration trademark documents on behalf of trademark registrants after sending solicitation letters to registrants who had upcoming renewals due. The solicitation letters were sent from Europe by a service provider that

Practitioner paid to generate mailings to United States trademark registrants. These letters, mailed by Practitioner under the name Intellectual Property Services USA Incorporated with an Alexandria, Virginia correspondence address, were confusing and may have been misconstrued by recipients as being mailed by the United States Government. For example, these letters did not include the words "Advertising Material" on the outside envelopes, and did not give a reasonable impression of being mailed by a trademark practitioner.

6. Practitioner, through IPS, has not sent any solicitation materials since March 10, 2014, and does not intend to submit any additional filings with the USPTO arising out of IPS operations. Furthermore, Practitioner is in the process of dissolving IPS.

7. Practitioner received a legal opinion from a reputable law firm, of good national standing in the United States, which analyzed and approved the activities stipulated in items 3 through 6 above, prior to Practitioner having engaged in such activities. Nevertheless, Practitioner now fully understands why his conduct violated the USPTO Rules of Professional Conduct as set forth herein.

8. Practitioner is an active member of the State Bar of California and is in good standing in that jurisdiction. Practitioner has no prior history of discipline before either the USPTO or since being admitted to the State Bar of California in 1999.

Joint Legal Conclusions

9. Based on the foregoing stipulated facts, Practitioner acknowledges that his conduct violated the following disciplinary rules of the USPTO Rules of Professional Conduct:

- a. 37 C.F.R. § 11.701 (Communications concerning a practitioner's services) by sending misleading solicitations through IPS to trademark registrants who had upcoming renewals due; and
- b. 37 C.F.R. § 11.703(c) (Direct contact with prospective clients) by sending solicitations through IPS to trademark registrants who had upcoming renewals due without including the words "Advertising Material" on the outside envelope.

Agreed Upon Sanction

10. Practitioner agrees and it is hereby ORDERED that:

- a. Practitioner shall be, and hereby is, publicly reprimanded;
- b. Practitioner shall serve a twenty-four (24) month probationary period commencing on the date of this Final Order;
- c. Practitioner shall not submit any additional filings with the USPTO arising from IPS operations or that do not otherwise comply with the USPTO Rules of Professional Conduct;

- d. Practitioner shall withdraw from IPS as soon as possible, either by merger or dissolution under Swedish law, but no later than December 31, 2015;
- e. On or before December 31, 2015, Practitioner shall submit to the OED Director: (1) an affidavit or declaration attesting to his compliance with the terms of the Agreement and this Final Order; and (2) a copy of relevant documents evidencing that IPS has been dissolved or merged so that Practitioner has no ownership or other interest in IPS;

f. It hereby directed that

(1) if the OED Director is of the good faith opinion that Practitioner, during Practitioner's probationary period, failed to comply with any provision of the Agreement, this Final Order, or any provision of the USPTO Rules of Professional Conduct, the OED Director shall:

(A) issue to Practitioner an Order to Show Cause why the USPTO Director should not enter an order immediately suspending Practitioner for up to six (6) months for the violations set forth in paragraph 9, above;

(B) send the Order to Show Cause to Practitioner at the last address of record Practitioner provided to The State Bar of California; and

(C) grant Practitioner thirty (30) days to respond to the Order to Show Cause; and

(2) in the event that after the 30-day period for response and consideration of the response, if any, received from Practitioner, the OED Director continues to be of the opinion that Practitioner, during Practitioner's probationary period, failed to comply with any provision of the Agreement, this Final Order, or any provision of the USPTO Rules of Professional Conduct, the OED Director shall:

(A) deliver to the USPTO Director: (i) the Order to Show Cause; (ii) Practitioner's response to the Order to Show Cause, if any; and (iii) argument and evidence causing the OED Director to be of the opinion that Practitioner, during Practitioner's probationary period, failed to comply with any provision of the Agreement, Final Order, or any provision of the USPTO Rules of Professional Conduct; and

(B) request that the USPTO Director enter an order immediately suspending Practitioner for up to six (6) months for

the violations set forth in paragraph 9, above;

- g. Nothing herein shall prevent the OED Director from seeking discipline for the misconduct leading to Practitioner's suspension pursuant to the preceding subparagraph;
- h. In the event the USPTO Director suspends Practitioner pursuant to subparagraph f., above, and Practitioner seeks a review of the suspension, any such review of the suspension shall not operate to postpone or otherwise hold in abeyance the suspension;
- i. The OED Director shall publish a Final Order pursuant to 37 C.F.R. § 11.59(a) in the OED's electronic FOIA Reading Room, which is publicly accessible through the Office's website at:
<http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
- j. The OED Director shall publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Reprimand and Probation

This Notice concerns Gary Guttenberg of Stockholm, Sweden, who is a member in good standing of the California State Bar, and who has no prior history of discipline before the USPTO or since being admitted to the State Bar of California in 1999.

Mr. Guttenberg has engaged in practice before the United States Patent and Trademark Office ("USPTO" or "Office") by filing documents in trademark registrations before the Office and is subject to the USPTO Rules of Professional Conduct set forth at 37 C.F.R. §§ 11.101 through 11.901. *See* 37 C.F.R. § 11.19(a).

The USPTO Director has publicly reprimanded Mr. Guttenberg and placed him on probation for twenty-four (24) months for violating 37 C.F.R. §§ 11.701 (Communications concerning a practitioner's services) and 11.703(c) (Direct contact with prospective clients).

Mr. Guttenberg, through his company, Intellectual Property Services USA Incorporated ("IPS"), violated the aforementioned USPTO Rules of Professional Conduct by filing post-registration trademark documents on behalf of trademark registrants after sending solicitation letters to registrants who had upcoming renewals due. The solicitation letters sent by Mr. Guttenberg, through IPS, were confusing and may have been misconstrued by recipients as being mailed by the United States Government. For

example, such letters did not include the words "Advertising Material" on the outside envelopes, and did not give a reasonable impression of being mailed by a trademark practitioner. Mr. Guttenberg now understands his violations of the USPTO Rules of Professional Conduct and has taken corrective action.

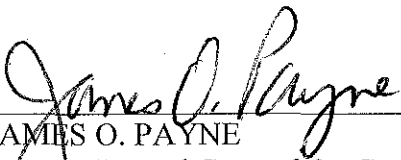
This action is the result of a settlement agreement between the OED Director and Mr. Guttenberg pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.20, 11.26, and 11.59. Disciplinary decisions involving practitioners are posted at the Office of Enrollment and Discipline's Reading Room, which is publicly accessible at:
<http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.

- k. Nothing in the Agreement or this Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including this Final Order:

(1) when addressing any further complaint or evidence of the same or similar misconduct brought to the attention of the Office; and/or

(2) in any future disciplinary proceeding against Practitioner (i) as an aggravating factor to be taken under consideration in determining any discipline to be imposed, and/or (ii) to rebut any statement or representation made by or on Practitioner's behalf; and

- l. The OED Director and Practitioner shall each bear their own costs incurred to date and in carrying out the terms of the Agreement and this Final Order.



JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

MAR - 9 2015

Date

on behalf of

Michelle K. Lee
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office

cc: Director of the Office of Enrollment and Discipline
United States Patent and Trademark Office

Jerome Fishkin
Fishkin & Slatter LLP
1575 Treat Blvd., Suite 215
Walnut Creek, California 94598

Counsel for practitioner

**BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of)	
)	
Jason T. Throne,	)	Proceeding No. D2015-19
)	
Respondent.)	
_____)	

FINAL ORDER

Pursuant to 37 C.F.R. § 11.27(b), the Director of the United States Patent and Trademark Office (“USPTO” or “Office”) received for review and approval from the Director of the Office of Enrollment and Discipline (“OED Director”) an Affidavit of Resignation Pursuant to 37 C.F.R. § 11.27 executed by Jason T. Throne (“Respondent”) on March 4, 2015. Respondent submitted the affidavit to the USPTO for the purpose of being excluded on consent pursuant to 37 C.F.R. § 11.27.

For the reasons set forth herein, Respondent’s Affidavit of Resignation shall be approved and Respondent shall be excluded on consent from practice before the Office in patent, trademark, and other non-patent matters commencing on the date of this Final Order.

Jurisdiction

Respondent of Rockport, Maine, is a registered patent attorney (Reg. No. 35,387). Respondent is subject to the USPTO Code of Professional Responsibility, 37 C.F.R. § 10.20 *et seq.*, and the USPTO Rules of Professional Conduct, 37 C.F.R. § 11.101, *et seq.*¹

Pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. § 11.27, the USPTO Director has the authority to approve Respondent’s Affidavit of Resignation and to exclude Respondent on consent from the practice of patent, trademark, and other non-patent matters before the Office.

Respondent’s Affidavit of Resignation

Respondent acknowledges in his March 4, 2015 Affidavit of Resignation that:

1. His consent is freely and voluntarily rendered, and he is not being subjected to coercion or duress.

¹ The USPTO Code of Professional Responsibility applies to practitioner misconduct that occurred prior to May 3, 2013, while the USPTO Rules of Professional Conduct, 37 C.F.R. § 11.101 *et seq.*, apply to a practitioner’s misconduct that occurred on or after May 3, 2013.

2. He is aware that, pursuant to 37 C.F.R. § 11.22, the OED Director opened an investigation of allegations that he violated the USPTO Code of Professional Responsibility and/or USPTO Rules of Professional Conduct, namely: OED File No. [REDACTED]. The investigation delved into and obtained information, *inter alia*, about the following:

- a. He was an employee of Hunter Douglas, Inc. ("HDI") from August 16, 1993 to June 12, 2014;
- b. On about December 29, 1999, he incorporated Patent Services Group, LLC ("PSG");
- c. He controlled and was responsible for the business of PSG;
- d. Through his position as in-house counsel with HDI, he was entrusted to approve patent related expenditures, including retaining outside professional assistance on behalf of HDI;
- e. He hid the relationship between himself and PSG from HDI;
- f. On or about September 17, 2007, he signed a conflict of interest policy with HDI in which he falsely represented that he was not involved in any activities that were in conflict with HDI, and that he did not have any secondary source of income or employment;
- g. On approximately a monthly basis from 2000 through April 2014, he prepared fraudulent invoices from PSG to HDI requesting payment for patent services allegedly performed by PSG in the previous month;
- h. In his position at HDI, he marked the aforementioned invoices for approval;
- i. Between 2000 and 2014, HDI reasonably relied on his approval of the invoices and paid PSG and/or him \$4,841,146.09 based on the invoices he submitted on behalf of PSG;
- j. The HDI payments were deposited by him into a PSG bank account established and controlled by, *inter alia*, him; and
- k. His actions constituted theft under the provisions of Colo. Rev. Stat. § 18-4-401 *et seq.* and conversion of HGI's property.

3. He is aware that the OED Director for the USPTO is of the opinion, based on this investigation, that he violated the following provisions of the USPTO Code of Professional Responsibility: 37 C.F.R. § 10.23(a) (proscribing engaging in disreputable or gross misconduct); 37 C.F.R. § 10.23(b)(3) (proscribing engaging in illegal conduct involving moral turpitude); 37 C.F.R. § 10.23(b)(4) (proscribing engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation); and/or 37 C.F.R. § 10.23(b)(6) (proscribing engaging in other conduct that adversely reflects on the practitioner's fitness to practice before the USPTO).

4. He is aware that the OED Director for the USPTO is of the opinion, based on this investigation, that he also violated the following provisions of the USPTO Rules of Professional Conduct: 37 C.F.R. §

11.804(b) (proscribing committing a criminal act that reflects adversely on the practitioner's honesty, trustworthiness, or fitness as a practitioner in other respects); 37 C.F.R. § 11.804(c) (proscribing engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation); and/or 37 C.F.R. § 11.804(i) (proscribing engaging in other conduct that adversely reflects on the practitioner's fitness to practice before the USPTO).

5. Without admitting to violating any of the disciplinary rules of the USPTO Code of Professional Responsibility and/or the USPTO Rules of Professional Conduct investigated by the OED Director in OED File No. [REDACTED], he acknowledges that, if and when he applies for reinstatement under 37 C.F.R. § 11.60 to practice before the USPTO in patent, trademark, and/or other non-patent matters, the OED Director will conclusively presume, for the purpose of determining the application for reinstatement, that

(a) the facts regarding him in OED File No. [REDACTED] are true, and

(b) he could not have successfully defended himself against the allegations embodied in the opinion of the OED Director that he violated 37 C.F.R. §§ 10.23(a); 10.23(b)(3); 10.23(b)(4); 10.23(b)(6); 11.804(b); 11.804(c); and 11.804(i).

6. Respondent has fully read and understands 37 C.F.R. §§ 11.5(b), 11.27, 11.58, 11.59, and 11.60, and is fully aware of the legal and factual consequences of consenting to exclusion from practice before the USPTO in patent, trademark, and other non-patent matters.

7. Respondent consents to being excluded from practice before the USPTO in patent, trademark, and other non-patent matters.

Exclusion on Consent

Based on the foregoing, the USPTO Director has determined that Respondent's Affidavit of Resignation complies with the requirements of 37 C.F.R. § 11.27(a). Accordingly, it is hereby ORDERED that:

- a. Respondent's Affidavit of Resignation shall be, and hereby is, approved;
- b. Respondent shall be, and hereby is, excluded on consent from practice before

the Office in patent, trademark, and other non-patent matters commencing on the date of this Final Order;

c. The OED Director shall electronically publish this Final Order at the Office of Enrollment and Discipline's electronic FOIA Reading Room, which is publicly accessible at <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;

d. The OED Director shall publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Exclusion on Consent

This notice concerns Jason T. Throne, a registered patent attorney (Registration No. 35,387). The Director of the United States Patent and Trademark Office ("USPTO" or "Office") has accepted Mr. Throne's affidavit of resignation and ordered his exclusion on consent from practice before the Office in patent, trademark, and non-patent law.

Mr. Throne voluntarily submitted his affidavit at a time when a disciplinary investigation was pending against him. The investigation concerned his fraudulent billing of his client, resulting in theft under the provisions of Colo. Rev. Stat. § 18-4-401 *et seq.* and conversion of the client's property. Mr. Throne acknowledged that the Director of the USPTO's Office of Enrollment and Discipline ("OED Director") was of the opinion that his conduct violated 37 C.F.R. §§ 10.23(a) (proscribing engaging in disreputable or gross misconduct); 10.23(b)(3) (proscribing engaging in illegal conduct involving moral turpitude); 10.23(b)(4) (proscribing engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation); 10.23(b)(6) (proscribing engaging in other conduct that adversely reflects on the practitioner's fitness to practice before the USPTO); 11.804(b) (proscribing committing a criminal act that reflects adversely on the practitioner's honesty, trustworthiness, or fitness as a practitioner in other respects); 11.804(c) (proscribing engaging in conduct involving dishonesty, fraud, deceit, or misrepresentation); and 11.804(i) (proscribing engaging in other conduct that adversely reflects on the practitioner's fitness to practice before the USPTO).


While Mr. Throne did not admit to violating any of the disciplinary rules of the USPTO Code of Professional Responsibility and/or the USPTO Rules of Professional Conduct as alleged in the pending investigation, he acknowledged that, if and when he applies for reinstatement, the OED Director will conclusively presume, for the limited purpose of determining the application for reinstatement, that (i) the facts set forth above are true, and (ii) he could not have successfully defended himself against the allegations embodied in the opinion of the OED Director that he violated 37 C.F.R. §§ 10.23(a); 10.23(b)(3); 10.23(b)(4); 10.23(b)(6); 11.804(b); 11.804(c); and 11.804(i).

This action is taken pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.27 and 11.59. Disciplinary decisions involving practitioners are posted for public reading at the Office of Enrollment and Discipline Reading Room, available at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.

- e. Respondent shall comply fully with 37 C.F.R. § 11.58; and
- f. Respondent shall comply fully with 37 C.F.R. § 11.60 upon any request for reinstatement.

APR 22 2015

Date


JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

on behalf of

Michelle K. Lee
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc:

Director of the Office of Enrollment and Discipline
U.S. Patent and Trademark Office

Mr. George T. Dilworth
Drummond Woodsum
84 Marginal Way
Suite 600 Portland, Maine 04101

Mr. Jason T. Throne
P.O. Box 73
Rockport, Maine 04856

Mr. Jason T. Throne
41 Pandion Lane
Rockport, Maine 04856

**BEFORE THE DIRECTOR OF THE UNITED STATES PATENT AND
TRADEMARK OFFICE**

In the Matter of:

Greg H. Leitich

Respondent

Proceeding No. D2015-22

FINAL ORDER

Pursuant to 37 C.F.R. § 11.27, the Director of the United States Patent and Trademark Office (“USPTO” or “Office”) received for review and approval from the Director of the Office of Enrollment and Discipline (“OED Director”) an Affidavit of Resignation Pursuant to 37 C.F.R. § 11.27 executed by Greg H. Leitich (“Respondent”) on June 4, 2015. Respondent, who is a registered patent attorney, submitted the affidavit to the USPTO for the purpose of being excluded on consent pursuant to 37 C.F.R. § 11.27.

For the reasons set forth herein, Respondent’s Affidavit of Resignation shall be approved and Respondent shall be excluded on consent from practice before the Office in patent, trademark, and other non-patent law commencing on the date of this Final Order.

Jurisdiction

Respondent is a registered patent attorney (Registration No. 39,745). Respondent is subject to the USPTO Code of Professional Responsibility, which is set forth at 37 C.F.R. § 10.20 *et seq.*, and the USPTO Rules of Professional Conduct set forth at 37 C.F.R. § 11.101 *et seq.*¹

¹ Effective May 3, 2013, the USPTO Rules of Professional Conduct apply to persons who practice before the Office. See 37 C.F.R. §§ 11.101 through 11.901. The allegations of misconduct set forth in this Complaint occurred prior to and after May 3, 2013. Therefore, both the USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct apply.

Accordingly, pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. § 11.27, the USPTO Director has the authority to approve Respondent's Affidavit of Resignation and to exclude Respondent on consent from the practice of patent, trademark, and other non-patent law before the Office.

Respondent's Affidavit of Resignation

Respondent acknowledges in his June 4, 2015, Affidavit of Resignation that:

1. Respondent's consent is freely and voluntarily rendered, and Respondent is not being subjected to coercion or duress.
2. Respondent is aware that as a result of a disciplinary investigation, the OED Director is of the opinion that he has violated the USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct predicated upon his allowing five patent applications to go abandoned without the client's knowledge or consent; failing to apprise himself of the status of the five patent applications; presenting multiple payments to the Office that were dishonored; failing to update the client on the status of the client's five patent applications and accurately respond to the client's request for a status update; failing to keep the mailing address updated in the patent applications; and failing to respond to OED's lawful requests for information.
3. Respondent is aware that, as a result of the disciplinary investigation, the OED Director is of the opinion that Respondent violated the following disciplinary rules of the USPTO Code of Professional Responsibility and the USPTO Rules of Professional Conduct:
 - a. 37 C.F.R. § 10.23(b)(5) (engaging in conduct prejudicial to the administration of justice);
 - b. 37 C.F.R. §10.77(c) (neglecting a legal matter entrusted to the practitioner);

- c. 37 C.F.R. §§ 10.23(b) via 10.23(c)(8) (failing to timely inform a client of correspondence received from the Office when the correspondence (i) could have a significant effect on a matter pending before the Office, (ii) was received by the practitioner on behalf of a client, and (iii) was correspondence of which a reasonable practitioner would believe under the circumstances the client should be notified);
- d. 37 C.F.R. § 11.804(c) (engaging in dishonesty, fraud, deceit, or misrepresentation);
- e. 37 C.F.R. § 11.804(d) (engaging in conduct prejudicial to the administration of justice);
- f. 37 C.F.R. § 11.101 (failing to act with thoroughness and preparation reasonably necessary for the representation of a client);
- g. 37 C.F.R. § 11.103 (failing to act with reasonable diligence and promptness);
- h. 37 C.F.R. § 11.104(a)(3)-(a)(4) (failing to keep a client reasonably informed about the status of a matter and promptly comply with reasonable requests for information from the client);
- i. 37 C.F.R. § 11.801(b) (failing to cooperate with OED in an investigation of any matter before it, or knowingly failing to respond to a lawful demand or request for information from a disciplinary authority).

4. Without admitting that he violated any of the disciplinary rules of the USPTO Code of Professional Responsibility and the USPTO Rules of Professional Conduct as alleged in the disciplinary investigation, OED File No. [REDACTED], Respondent acknowledges that, if and when he applies for reinstatement under 37 C.F.R. § 11.60, the OED Director will conclusively presume, for the limited purpose of determining the application for reinstatement, that (i) the allegations set forth in the disciplinary proceeding pending against him are true, and (ii) he could not have successfully defended himself against such allegations.

5. Respondent has fully read and understands 37 C.F.R. §§ 11.5(b), 11.27, 11.58, 11.59, and 11.60, and is fully aware of the legal and factual consequences of requesting and consenting to exclusion from practice before the USPTO.

6. Respondent consents to being excluded from practice before the USPTO.

Exclusion on Consent

Based on the foregoing, the USPTO Director has determined that Respondent's affidavit of resignation complies with the requirements of 37 C.F.R. § 11.27(a). Hence, it is ORDERED that:

1. Respondent's Affidavit of Resignation shall be, and hereby is, approved;
2. Respondent shall be, and hereby is, excluded on consent from the practice of patent, trademark, and other non-patent law before the Office beginning on the date this Final Order is signed;
3. The OED Director shall publish this Final Order at the Office of Enrollment and Discipline's Reading Room, found at <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
4. The OED Director shall publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Exclusion on Consent

This notice concerns Greg H. Leitich of Austin, Texas, a registered patent attorney (Registration No. 39,745). The Director of the United States Patent and Trademark Office ("USPTO" or "Office") has accepted Mr. Leitich's affidavit of resignation and ordered his exclusion on consent from the practice of patent, trademark, and non-patent law before the Office.

Mr. Leitich voluntarily submitted his affidavit at a time when a disciplinary investigation was pending against him. His affidavit acknowledged that the Director of the USPTO's Office of Enrollment and Discipline ("OED Director") was of the opinion that Mr. Leitich's conduct violated 37 C.F.R. §§ 10.23(b)(5) (engaging in conduct prejudicial to the administration of justice); 10.77(c) (neglecting a legal matter entrusted to the practitioner); 10.23(b) via

10.23(c)(8) (failing to timely inform a client of correspondence received from the Office when the correspondence (i) could have a significant effect on a matter pending before the Office, (ii) was received by the practitioner on behalf of a client, and (iii) was correspondence of which a reasonable practitioner would believe under the circumstances the client should be notified); 11.804(c) (engaging in dishonesty, fraud, deceit, or misrepresentation); 11.804(d) (engaging in conduct prejudicial to the administration of justice); 11.101 (failing to act with thoroughness and preparation reasonably necessary for the representation of a client); 11.103 (failing to act with reasonable diligence and promptness); 11.104(a)(3)-(a)(4) (failing to keep a client reasonably informed about the status of a matter and promptly comply with reasonable requests for information from the client); and 11.801(b) (failing to cooperate with OED in an investigation of any matter before it, or knowingly failing to respond to a lawful demand or request for information from a disciplinary authority).

The OED Director is of the opinion that Mr. Leitich violated the above rules by allowing five patent applications to go abandoned without the client's knowledge or consent; failing to apprise himself of the status of the five patent applications; presenting multiple payments to the Office that were dishonored; failing to update the client on the status of the client's five patent applications and accurately respond to the client's request for a status update; failing to keep the mailing address updated in the patent applications; and failing to respond to OED's lawful requests for information.

While Mr. Leitich did not admit to violating any of the disciplinary rules of the USPTO Code of Professional Responsibility and the USPTO Rules of Professional Conduct as alleged in the pending investigation, he acknowledged that, if and when he applies for reinstatement, the OED Director will conclusively presume, for the limited purpose of determining the application for reinstatement, that (i) the facts set forth above are true, and (ii) he could not have successfully defended himself against such allegations embodied in the opinion of the OED Director that he violated 37 C.F.R. §§ 10.23(b)(5); 10.77(c); 10.23(b) via 10.23(c)(8); 11.804(c); 11.804(d); 11.101; 11.103; 11.104(a)(3)-(a)(4); and 11.801(b).

This action is taken pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.27 and 11.59. Disciplinary decisions involving practitioners are posted for public reading at the Office of Enrollment and Discipline Reading Room, located at <http://efoia.uspto.gov/Foia/OEDReadingRoom.jsp>.


5. Respondent shall comply with 37 C.F.R. § 11.58;
6. The OED Director shall comply with 37 C.F.R. § 11.59;

7. Respondent shall comply with 37 C.F.R. § 11.60 upon any request for reinstatement; and

8. The OED Director and Respondent shall bear their own costs incurred to date and in carrying out the terms of this agreement.

JUN 15 2015

Date


JAMES O. PAYNE
Deputy General Counsel for General Law
United States Patent and Trademark Office

on behalf of

Michelle K. Lee
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc:

Director of the Office of Enrollment and Discipline
U.S. Patent and Trademark Office

Greg H. Leitich
804 Baylor Street
Austin, TX 78703

**BEFORE THE DIRECTOR OF THE UNITED STATES PATENT AND
TRADEMARK OFFICE**

In the Matter of:)	
)	
Nam D. Dao,	)	Proceeding No. D2015-23
)	
Respondent)	
_____)	

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Nam D. Dao ("Respondent") have submitted a Proposed Settlement Agreement of Disciplinary Matter Pursuant to 37 C.F.R. § 11.26 (“Agreement”) to the Under Secretary of Commerce for Intellectual Property and Director of the USPTO for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties' stipulated facts, legal conclusions, and sanctions.

Jurisdiction

1. At all times relevant hereto, Respondent of Seattle, Washington, has been a registered patent attorney (Registration No. 63,089) and subject to the USPTO Rules of Professional Conduct set forth at 37 C.F.R. § 11.101 *et seq* and the USPTO Code of Professional Responsibility set forth at 37 C.F.R. § 10.20 *et seq*.¹

2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. § 11.19.

Joint Stipulated Facts

3. Respondent of Seattle, Washington, is a registered patent attorney (Registration Number 63,089). He was registered as a patent attorney on September 16, 2008.

A. Representation of Clients in Patent and Trademark Matters Before the Office

Client 1

4. Respondent represented Client No. 1 in the prosecution of the client’s patent application before the Office.

¹ The USPTO Code of Professional Responsibility applies to a practitioner’s conduct that occurred prior to May 3, 2013. The USPTO Rules of Professional Conduct, 37 C.F.R. § 11.101 *et seq*., apply to a practitioner’s conduct occurring after May 2, 2013.

5. Respondent received an Office action on behalf of Client No. 1 and did not respond to it; therefore, Client No. 1's patent application became abandoned without the client's knowledge or consent.

6. After Client No. 1's patent application became abandoned, Client No. 1 inquired as to the status of the application. Respondent counseled Client No. 1 against filing an appeal, without explaining that the application was abandoned.

7. Respondent recognizes the seriousness of his misconduct concerning his representation of Client No. 1, is remorseful for his misconduct and for its effect on the reputation of the legal profession, and made timely restitution to Client No. 1.

Client 2

8. Respondent represented Client No. 2 in the prosecution of the client's patent application before the Office.

9. Respondent did not maintain the correct correspondence address in Client No. 2's patent application. Therefore, when the Office mailed a notice to file corrected application papers to Respondent, he did not receive it and Client No. 2's patent application became abandoned without the client's knowledge or consent.

10. Respondent did not timely communicate the abandonment to Client No. 2.

11. Respondent recognizes the seriousness of his misconduct concerning his representation of Client No. 2, is remorseful for his misconduct and for its effect on the reputation of the legal profession, and made timely restitution to Client No. 2.

Client 3

12. Respondent represented Client No. 3 in the prosecution of the client's patent application before the Office.

13. The USPTO mailed a Notice of Allowance and Issue Fee Due regarding Client No. 3's patent application to Respondent. Respondent received the notice, but he did not inform Client No. 3 about the issue fee or the deadline for paying the issue fee to avoid abandonment of the client's application.

14. Respondent's patent application became abandoned for failure to timely pay the issue fee without the client's knowledge or consent.

15. Respondent did not inform Client No. 3 about the abandonment of his patent application.

16. Respondent recognizes the seriousness of his misconduct concerning his representation of Client No. 3, is remorseful for his misconduct and for its effect on the

reputation of the legal profession, and undertook a timely, good faith effort to make restitution to Client No. 3.

Client 4

17. Respondent represented Client No. 4 in connection with two U.S. trademark applications filed in the Office.

18. The USPTO mailed to Respondent a Notice of Allowance in each of Client No. 4's trademark applications. Each notice informed Respondent that the filing of a statement of use was required within six months or the application would become abandoned.

19. Respondent received the notices, but did not respond to them; therefore, both trademark applications became abandoned without the client's knowledge or consent.

20. Respondent did not timely communicate with Client No. 4 about the notices, nor did he timely inform the client that the trademark applications had become abandoned.

21. Moreover, while representing Client No. 4 before the Office in the two trademark applications, Respondent was aware that he became administratively suspended from practicing law as an attorney in Wisconsin, *i.e.*, the only state where he is licensed to practice trademark and other non-patent law.

22. Because of the administrative suspension of his Wisconsin law license, Respondent was no longer an attorney qualified under 37 C.F.R. §§ 2.17(a) and 11.14 to represent clients before the Office in trademark matters. Nevertheless, Respondent remained as attorney of record in Client No. 4's trademark applications instead of withdrawing as attorney of record.

23. Respondent recognizes the seriousness of his misconduct concerning his representation of Client No. 4, is remorseful for his misconduct and for its effect on the reputation of the legal profession, and undertook a timely, good faith offer of restitution to Client No. 4, which the client declined while acknowledging Respondent's contrition.

Client 5

24. Respondent represented Client No. 5 in connection with a U.S. trademark application filed in the Office.

25. When Respondent filed Client No. 5's trademark application, Respondent was aware that he had been administratively suspended from practicing law as an attorney in Wisconsin, *i.e.*, the only state where he is licensed to practice trademark and other non-patent law.

26. Because of his administrative suspension of his Wisconsin law license, Respondent was no longer an attorney qualified under 37 C.F.R. §§ 2.17(a) and 11.14 to represent clients

before the Office in trademark matters. Nevertheless, Respondent filed Client No. 5's trademark application with the Office.

27. Respondent took steps to withdraw as attorney of record in Client No. 5's trademark application.

28. Respondent has been reinstated to active status to practice law as an attorney in Wisconsin.

B. Failure to Cooperate with OED Investigation

29. Respondent received a lawful request for information ("RFI") sent by the Office of Enrollment and Discipline ("OED") that allowed him 30 days to respond.

30. Respondent did not respond to the RFI for six months, nor did he request an extension of time to respond.

31. During the six-month interim, OED sent Respondent two reminder letters by certified mail, which were returned to OED as "unclaimed," and left a telephone message for him at a phone number with a voicemail greeting message that had Respondent's name.

32. Respondent did not contact OED during the six-month period.

33. When Respondent finally replied to the RFI, he did not offer an explanation for his delay in responding to OED's request for information. He apologized, however, for his late response and otherwise cooperated with OED's investigation thereafter.

Joint Legal Conclusions

34. Respondent acknowledges that, based on the information contained in the Joint Stipulated Facts, above, Respondent's acts and omissions violated the following provisions of the USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct:

- a. 37 C.F.R. § 10.23(b)(5) (engaging in conduct that is prejudicial to the administration of justice) and 37 C.F.R. § 11.505 (engaging in the unauthorized practice of law) by not withdrawing and continuing to represent clients in trademark applications before the Office when Respondent was no longer qualified under 37 C.F.R. §§ 2.17(a) and 11.14 to represent trademark applicants due to the administrative suspension of his license to practice law in the only jurisdiction where he was licensed to practice trademark and other non-patent law;
- b. 37 C.F.R. §§ 10.77(c) (neglecting a legal matter entrusted to the practitioner) by allowing patent applications and trademark applications to become abandoned without the clients' knowledge and consent;

- c. 37 C.F.R. § 11.104(a)(3) (keeping the client reasonably informed about the status of the matter) by failing to inform clients that their patent and/or trademark applications had become abandoned; and
- d. 37 C.F.R. § 11.801(b) by failing to cooperate in an OED investigation by not timely responding to a lawful request for information for six months without good cause.

Sanction

In light of the OED Director's and Respondent's entering into the Proposed Settlement Agreement, the OED Director's recommendation, and the discussed mitigating factors, it is hereby determined that there is no genuine issue of material fact and that discipline of Respondent is appropriate.

ACCORDINGLY, Respondent has agreed, and it is **ORDERED** that:

- a. Respondent shall be, and hereby is, suspended from practice before the Office in patent, trademark, and other non-patent matters for six (6) months commencing on the date of this Final Order;
- b. Respondent shall remain suspended from the practice of patent, trademark, and non-patent law before the USPTO until the OED Director grants a petition reinstating Respondent pursuant to 37 C.F.R. § 11.60;
- c. Respondent shall comply with 37 C.F.R. § 11.58;
- d. Respondent shall comply with 37 C.F.R. § 11.60 upon any request for reinstatement to practice before the Office;
- e. The OED Director shall electronically publish the Final Order at OED's electronic FOIA Reading Room, which is publicly accessible through the Office's website at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
- f. The OED Director shall publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Suspension

This notice concerns Nam Duy Dao of Seattle, Washington, a registered patent attorney (Registration Number 63,089). The Director of the United States Patent and Trademark Office ("USPTO" or "Office") has suspended Mr. Dao for six (6) months from practice before the Office in patent, trademark, and other non-patent matters for violating provisions of the USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct. Mr. Dao recognizes the seriousness of his misconduct, is remorseful for it and

for its effect on the reputation of the legal profession, and made restitution and/or made timely, good faith efforts to make restitution to his clients.

Mr. Dao violated 37 C.F.R. § 10.77(c) (neglecting a legal matter entrusted to the practitioner) by allowing patent applications and trademark applications to become abandoned without the clients' knowledge and consent. He violated 37 C.F.R. § 11.104(a)(3) (keeping the client reasonably informed about the status of the matter) by failing to inform clients that their patent and/or trademark applications had become abandoned. Mr. Dao violated 37 C.F.R. § 10.23(b)(5) (engaging in conduct that is prejudicial to the administration of justice) and 37 C.F.R. § 11.505 (engaging in the unauthorized practice of law) by not withdrawing and continuing to represent clients in trademark applications before the Office when Mr. Dao was no longer qualified under 37 C.F.R. §§ 2.17(a) and 11.14 to represent trademark applicants due to the administrative suspension of his license to practice law in the only jurisdiction where he was licensed to practice trademark and other non-patent law.

Mr. Dao also violated 37 C.F.R. § 11.801(b) by failing to cooperate in an Office of Enrollment and Discipline ("OED") investigation by not timely responding to a lawful request for information for six months without good cause.

Practitioners are reminded of their duties under 37 C.F.R. § 11.801(b), which include the specific duty to cooperate with OED in an investigation of any matter before it. A lengthy delay in responding to a lawful request for information from the Office of Enrollment without good cause may constitute misconduct under the USPTO Rules of Professional Conduct, as it did in this case.

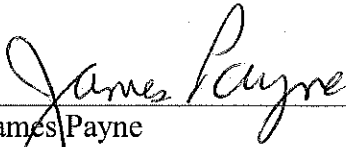
This action is the result of a settlement agreement between Mr. Dao and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19, 11.20, 11.26, and 11.59. Disciplinary decisions involving practitioners are posted at OED's electronic FOIA Reading Room, which is publicly accessible through the Office's website at:
<http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>.

- g. The USPTO shall dissociate Respondent's name from any Customer Numbers and the public key infrastructure ("PKI") certificate associated with those Customer Numbers;

- h. Respondent shall not apply for or obtain a USPTO Customer Number, or have his name added to a Customer number, unless and until he is reinstated to practice before the USPTO;
- i. Nothing in this Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including the Final Order: (1) when addressing any further complaint or evidence of the same or similar misconduct concerning Respondent brought to the attention of the Office; (2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed, and/or (ii) to rebut any statement or representation by or on Respondent's behalf; and (3) when considering any request for reconsideration submitted by Respondent pursuant to 37 C.F.R. § 11.60; and
- j. The OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of this Agreement.

MAY 15 2015

Date



James Payne
Deputy General Counsel for General Law
United States Patent and Trademark Office

On behalf of

Michelle K. Lee
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc:

OED Director

Nam D. Dao
607 East Harrison Street, Apt. # 506
Seattle, Washington 98102

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR
OF THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of:

Ming Chow,

Respondent.

)
)
)
)
)
)

Proceeding No. D2018-27

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Ming Chow (“Respondent”) have submitted a Proposed Settlement Agreement (“Agreement”) to the Under Secretary Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“USPTO Director”) for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusion, and sanctions.

Jurisdiction

1. At all times relevant, Respondent, of Germantown, Maryland has been a registered patent agent (Registration Number 58,531) who is subject to the USPTO Code of Professional Responsibility, which is set forth at 37 C.F.R. § 10.20 *et seq.*, and the USPTO Rules of Professional Conduct, which are set forth at 37 C.F.R. §§ 11.101 through 11.901.¹

2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.19, 11.20, and 11.26.

Joint Stipulated Facts

3. The USPTO registered Respondent as a patent agent on April 24, 2006, (Registration No. 58,531).

4. Respondent formed Sinorica, LLC, a Maryland Limited Liability Corporation (“Sinorica”), in or around 2006.

¹ Effective May 3, 2013, the USPTO Rules of Professional Conduct apply to practitioners who practice before the Office. *See* 37 C.F.R. §§ 11.101 through 11.901. The USPTO Code of Professional Responsibility applies to misconduct occurring prior to May 3, 2013. *See* 37 C.F.R. §§ 10.20 through 10.112. The allegations of misconduct set forth in the Complaint occurred prior to and after May 3, 2013. Therefore, both the USPTO Code of Professional Responsibility and USPTO Rules of Professional Conduct apply.

5. Between 2006 and the date of filing of the OED Director's disciplinary Complaint against him, Respondent was the sole licensed practitioner who worked for Sinorica. Any patent applications filed with the Office between those dates were filed under one of Respondent's two customer numbers.

6. At least since 2011, Sinorica has done business with Thoughts to Paper LLC, a Maryland Limited Liability Corporation ("TTP").

7. Tone Chow, also known as Tony Chow, is the founder and operator of TTP. Tone Chow is Respondent's son.

8. Since at least 2011, TTP and Sinorica were parties to an agreement by which TTP supplied certain services to Sinorica, and Sinorica would pay to TTP a fixed or hourly rate for those services. The terms of that agreement included services such as search engine optimization, software licensing, bookkeeping, marketing and advertising, office space management, human resources management, information technology support, and website management.

9. TTP operates the website thoughtstopaper.com. Through that website, TTP sells patent, trademark, and business services to members of the public, in addition to the services that it provides to Sinorica.

10. TTP employs approximately 30 non-practitioner employees. Some, but not all, of those employees have degrees in a technical field. As of the time of the filing of the Complaint, TTP did not employ any licensed practitioners.

11. TTP refers patent clients to Sinorica. Respondent performs some legal work for those patent clients, including drafting or reviewing utility patent applications and drafting responses to office actions.

12. Respondent files a large number of patent applications. Between August 2012 and December 2017, Respondent's customer number was associated with approximately 6,760 applications. This averages out to approximately 105 applications per month, or about five applications per work day, all filed under Respondent's customer number.

13. A substantial percentage of Respondent's clients come from TTP referrals. Between August 2012 and December 2017, approximately 5,360 applications, or just under 80 per cent of the total number of patent applications filed by Respondent were referrals from TTP.

14. Practice before the Office in patent matters includes, but is not limited to, preparing and prosecuting any patent application, consulting with or giving advice to a client in contemplation of filing a patent application or other document with the Office, drafting the specification or claims of a patent application, drafting an amendment or reply to a communication from the Office that may require written argument to establish the patentability of a claimed invention, or drafting a reply to a communication from the Office regarding a patent application. 37 C.F.R. § 11.5(b).

15. TTP's non-practitioner employees routinely perform patent searches, draft patentability opinions, and draft patent applications for design patents and provisional utility patents. TTP's non-practitioner employees routinely communicate directly with patent clients referred to Respondent by TTP. In most cases, these actions take place with little or no supervision by Respondent.

16. TTP's non-practitioner employees regularly engage in conduct that constitutes practice before the Office.

17. The compensation of TTP's non-practitioner employees varies based on their individual work load. A TTP non-practitioner employee may earn a bonus of up to nearly a third of his base pay based on work load. Not meeting workload requirements may result in termination.

18. It is the pattern and practice of TTP and Respondent that Respondent does not directly communicate with TTP/Respondent clients except on rare occasions. TTP/Respondent patent clients typically communicate primarily with their "case manager," a non-practitioner TTP employee, and can sometimes have telephone conferences with non-practitioner "engineers" who are also TTP employees. TTP does not typically identify Respondent as the licensed practitioner who works on the matter. TTP/Respondent clients typically sign Powers of Attorney in which Respondent is identified only by his customer number. Respondent's name and contact information are not routinely disclosed to the client.

19. Only some of TTP/Respondent clients signed a separate engagement agreement with Sinorica.

20. Respondent is and has been aware that the non-practitioner employees of TTP engage in conduct that amounts to practice before the Office. Respondent's physical office space is located in the same office suite as TTP.

21. TTP/Respondent clients pay TTP directly for the patent services supplied by Respondent. TTP claims to pass along the entirety of the fee paid by the TTP/Respondent clients to Respondent. Respondent then pays TTP for services TTP performs for Respondent. In most cases, there is no clear disclosure to TTP/Respondent clients that their funds are paid to Respondent through a third party. In most cases, there is no clear disclosure to TTP/Respondent clients of the amount of the money they pay that is dedicated to legal fees. In most cases, Respondent does not obtain informed consent, confirmed in writing from his clients, as to the third-party payment agreement.

22. Although Respondent received approximately 80% of his referrals from TTP, in most cases there was no disclosure to clients that there was a significant risk that Respondent's representation of clients could be materially limited by a personal financial interest in maintaining his business relationship with TTP, both as an individual and as a principal for Sinorica. In most cases, Respondent did not obtain informed consent, confirmed in writing, to the conflict. Many clients were entirely unaware of any relationship between TTP, Sinorica and/or Respondent.

23. The Office of Enrollment and Discipline (“OED”) initiated a lawful investigation of this matter pursuant to 37 C.F.R. 11.22, prior to the filing of the Complaint.

24. Respondent made material misleading statements to OED during the investigation of this matter.

Additional Considerations

25. None of Respondent’s clients filed a grievance against him before the USPTO.

26. Respondent has no disciplinary history.

27. Respondent expresses remorse, and recognizes that his actions violated his duties to his clients.

Joint Legal Conclusions

28. Respondent acknowledges that, based on the information contained in the Stipulated Facts, above, Respondent’s acts and omissions, before May 3, 2013, violated the following provisions of the USPTO Code of Professional Responsibility:

- a. 37 C.F.R. § 10.23(b)(5), engaging in conduct prejudicial to the administration of justice, by assisting in and facilitating unauthorized practice before the Office by TTP’s non-practitioner employees;
- b. 37 C.F.R. § 10.47 (a) and (c), aiding a non-practitioner in unauthorized practice before the Office by maintaining his business relationship with TTP, which resulted in a volume of applications that was only possible due to the practice before the Office performed by TTP’s non-practitioner employees;
- c. 37 C.F.R. § 10.62(a), accepting employment when the exercise of Respondent’s professional judgment on behalf of the client will be or reasonably may be affected by Respondent’s financial, business, property, or personal interests without obtaining consent after full disclosure, by accepting referrals from TTP without obtaining consent after full disclosure from his clients;
- d. 37 C.F.R. § 10.68(a)(1), accepting compensation for patent legal services from a person other than Respondent’s client without obtaining consent from the client after full disclosure, by accepting compensation from TTP for patent legal services without obtaining consent after full disclosure from each referred client; and
- e. 37 C.F.R. § 10.77(c), neglecting a legal matter entrusted to the practitioner by failing to adequately communicate with clients about their intellectual property objectives, the appropriateness of the client’s choice of the type of

patent application to be filed, Office actions received in their applications, and/or the responses to be filed to the Office actions.

29. Respondent acknowledges that, based on the information contained in the Stipulated Facts, above, Respondent's acts and omissions, on or after May 3, 2013, violated the following provisions of the USPTO Rules of Professional Conduct:

- a. 37 C.F.R. § 11.104(a)(2), failing to reasonably consult with clients about the means by which the clients' objectives are to be accomplished by failing to communicate adequately with clients about their intellectual property objectives, the appropriateness of the clients' choice of the type of patent application to be filed, Office actions received in their applications, and/or responses to Office actions to be filed;
- b. 37 C.F.R. § 11.104(b), failing to explain a matter to the extent reasonably necessary to permit the clients to make informed decisions regarding the representation, by failing to communicate adequately with clients about their intellectual property objectives, the appropriateness of the clients' choice of the type of patent application to be filed, Office actions received in their applications, and/or responses to be filed to Office actions;
- c. 37 C.F.R. § 11.107(a)(2), representing a client without obtaining informed consent, confirmed in writing, where there is a concurrent conflict of interest, by accepting clients referred from TTP for patent legal services without obtaining written consent after full disclosure from each such referred client;
- d. 37 C.F.R. § 11.108(f), accepting compensation for representing a client from a person other than Respondent's client without obtaining consent from the client after full disclosure, by accepting compensation from TTP for rendering patent legal services to clients without obtaining consent after full disclosure from each such referred client;
- e. 37 C.F.R. § 11.505, assisting non-practitioner employees of TTP in practicing before the Office in patent matters without authorization, by continuing his business relationship with TTP when such relationship was only made possible by the unauthorized practice of TTP's non-practitioner employees;
- f. 37 C.F.R. § 11.801(b), failing to cooperate with the Office of Enrollment and Discipline in an investigation, by making misleading statements to OED during its investigation; and
- g. 37 C.F.R. § 11.804(d), engaging in conduct prejudicial to the administration of justice, by assisting in the unauthorized practice by TTP non-practitioner

employees, and by providing misleading information to OED during its investigation.

Agreed-Upon Sanction

30. Respondent agrees and it is hereby ORDERED that:

- a. Respondent be and hereby is suspended from practice before the Office in patent matters for thirty-six (36) months commencing on the date this Final Order is signed;
- b. Respondent shall be eligible to file a petition for reinstatement pursuant to 37 C.F.R. § 11.60(b) thirty (30) months after the date of this Final Order; the OED Director shall proceed with the review of such petition; and notwithstanding any part of this subparagraph, no such petition shall be granted prior to thirty-six (36) months after the date of the Final Order is signed; and the OED Director may require that Respondent submit a supplemental document compliant with 37 C.F.R. § 11.60 (c)(3) prior to reinstatement, asserting that the Respondent has complied with the requirements of 37 C.F.R. § 11.58 during the entire period of Respondent's suspension;
- c. Respondent shall remain suspended from the practice of patent law before the USPTO until the OED Director grants a petition requesting Respondent's reinstatement pursuant to 37 C.F.R. § 11.60;
- d. As a condition of reinstatement, Respondent shall take at least three hours of Continuing Legal Education courses in which the primary subject is law office management and/or client communication;
- e. Respondent shall comply with 37 C.F.R. § 11.58 and 11.60;
- f. Respondent shall serve a twenty-four (24) month probationary period commencing on the date of his reinstatement to practice before the USPTO;
- g. (1) In the event the OED Director is of the good faith opinion that Respondent, during the probationary period, failed to comply with any provision of the Agreement, the Final Order, or any disciplinary rule of the USPTO Rules of Professional Conduct, the OED Director shall:

(A) issue to Respondent an Order to Show Cause why the USPTO Director should not order that Respondent be immediately suspended for up to one year for the violations set forth in the Joint Legal Conclusions, above;

(B) send the Order to Show Cause to Respondent at the last address of record Respondent furnished to the OED Director; and

(C) grant Respondent fifteen (15) days to respond to the Order to Show Cause; and

(2) In the event that after the fifteen (15) day period for response and after the consideration of the response, if any, received from Respondent, the OED Director continues to be of the opinion that Respondent, during Respondent's probationary period, failed to comply with any provision of the Agreement, the Final Order, or any disciplinary rule of the USPTO Rules of Professional Conduct, the OED Director shall:

(A) deliver to the USPTO Director or his designee: (i) the Order to Show Cause; (ii) Respondent's response to the Order to Show Cause, if any; and (iii) argument and evidence causing the OED Director to be of the opinion that Respondent, during Respondent's probationary period, failed to comply with any provision of the Agreement, Final Order, or any disciplinary rule of the USPTO Rules of Professional Conduct; and

(B) request that the USPTO Director immediately suspend Respondent for up to one year for the violations set forth in the Joint Legal Conclusions, above;

- h. In the event the USPTO Director suspends Respondent pursuant to subparagraph (g), above, and Respondent seeks a review of the suspension, any such review of the suspension shall not operate to postpone or otherwise hold in abeyance the suspension;
- i. Respondent is granted limited recognition to practice before the Office beginning on the date this Final Order is signed, and expiring thirty (30) days after the date this Final Order is signed, with such limited recognition being granted for the sole purpose of facilitating Respondent's compliance with 37 C.F.R. § 11.58(b);
- j. The OED Director shall electronically publish this Final Order at OED's electronic FOIA Reading Room, which is publicly accessible at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;
- k. The OED Director shall publish the following notice in the *Official Gazette*:

Notice of Suspension

This notice concerns Ming Chow of Germantown, Maryland, a registered patent agent (Registration Number 58,531). The United States Patent and Trademark Office (“USPTO” or “Office”) has suspended Mr. Chow for thirty-six (36) months from practice before the Office in patent, trademark, and non-patent matters for violating multiple disciplinary rules. As a condition of being reinstated, Mr. Chow must verify that he has taken three hours of continuing legal education classes focusing on law practice management and client communication.

Respondent founded Sinorica, a Maryland Limited Liability Corporation (“Sinorica”), in 2006. Respondent’s son founded another Maryland Limited Liability Corporation, which has done business as Thoughts to Paper (“TTP”). TTP sold patent services to inventors, and contracted with Sinorica to provide patent legal services. Respondent was the only licensed practitioner at Sinorica. TTP employed no licensed practitioners.

TTP’s non-practitioner employees routinely performed patent searches, gave patentability opinions, drafted patent applications, and communicated directly with clients. The compensation for these employees was partially determined by their individual workloads. Respondent was aware that the non-practitioner employees routinely engaged in conduct that satisfied the definition of practice before the Office.

TTP/Sinorica clients paid TTP directly and the funds paid were then paid to Sinorica. Sinorica then paid TTP for services it rendered for Sinorica. Neither TTP nor Respondent identified the amount of funds paid to TTP that was allocated to Respondent’s legal fees. Many TTP clients did not give informed consent to Respondent being paid by a third party.

Many of Respondent’s clients did not sign an engagement agreement. Not all of TTP/Sinorica clients were aware that Sinorica was a separate entity. A substantial number of TTP/Sinorica clients were not aware that TTP and Sinorica were closely related, and that Sinorica obtained a substantial percentage of its business from TTP. A conflict of interest occurred due to the close relationship between TTP and Sinorica. Not all of TTP/Respondent’s clients gave informed consent to the conflict.

Additionally, Mr. Chow made material misleading statements to OED during the investigation of this matter.

Mr. Chow's conduct violated the following provisions of the USPTO Code of Professional Responsibility:

37 C.F.R. § 10.23(b)(5), engaging in conduct prejudicial to the administration of justice; 37 C.F.R. § 10.47 (a) and (c), aiding a non-practitioner in unauthorized practice before the Office; 37 C.F.R. § 10.62(a), accepting employment when the exercise of Respondent's professional judgment on behalf of the client will be or reasonably may be affected by Respondent's financial, business, property, or personal interests without obtaining consent after full disclosure; 37 C.F.R. § 10.68(a)(1), accepting compensation for patent legal services from a person other than Respondent's client without obtaining consent from the client after full disclosure; and 37 C.F.R. § 10.77(c), neglecting a legal matter entrusted to the practitioner.

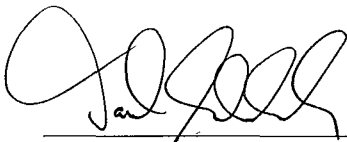
Mr. Chow's conduct after May 3, 2013, violated the following USPTO Rules of Professional Conduct: 37 C.F.R. § 11.104(a)(2), failing to reasonably consult with clients about the means by which the clients' objectives are to be accomplished; 37 C.F.R. § 11.104(b), failing to explain a matter to the extent reasonably necessary to permit the clients to make informed decisions regarding the representation; 37 C.F.R. § 11.107(a)(2), representing a client without obtaining informed consent, confirmed in writing; 37 C.F.R. § 11.108(f), accepting compensation for representing a client from a person other than Respondent's client without obtaining consent from the client after full disclosure; 37 C.F.R. § 11.505, assisting non-practitioner employees of TTP in engaging in unauthorized practice before the Office in patent matters; 37 C.F.R. § 11.801(b), failing to cooperate with the Office of Enrollment and Discipline in an investigation; and 37 C.F.R. § 11.804(d), engaging in conduct prejudicial to the administration of justice by assisting in the unauthorized practice by TTP non-practitioner employees, and by providing misleading information to OED during its investigation.

This action is the result of a settlement agreement between Mr. Chow and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19, 11.20, and 11.26. Disciplinary decisions involving practitioners are posted for public reading at the OED Reading Room, available at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;

1. Nothing in this Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including this Final Order: (1) when addressing any further complaint or evidence of the same or similar

misconduct concerning Respondent brought to the attention of the Office; (2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed, and/or (ii) to rebut any statement or representation by or on Respondent's behalf; and (3) in connection with any request for reconsideration submitted by Respondent pursuant to 37 C.F.R. § 11.60;

- m. Respondent shall fully comply with 37 C.F.R. § 11.60 upon any request for reinstatement to practice before the Office;
- n. Respondent has agreed to waive all rights to seek reconsideration of this Final Order under 37 C.F.R. § 11.56, waives the right to have this Final Order reviewed under 37 C.F.R. § 11.57, and waives the right otherwise to appeal or challenge this Final Order in any manner; and
- o. The parties shall bear their own costs incurred to date and in carrying out the terms of this Agreement and this Final Order.



David M. Shewchuk
Deputy General Counsel for General Law
United States Patent and Trademark Office

30 April 2019


Date

on delegated authority by

Andrei Iancu
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director Of The United States Patent And Trademark Office

cc:
OED Director, USPTO

Mark G. Chalpin, Esq.
Law Office of Mark G. Chalpin, Esq.
116 Billingsgate Lane
Gaithersburg, MD 20877
Office (301) 990-4900


Counsel for Ming Chow

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of)	
)	
Michael W. Starkweather,	)	Proceeding No. D2018-44
)	
Respondent.)	
_____)	

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Michael W. Starkweather (“Respondent”) have submitted a Proposed Settlement Agreement (“Agreement”) to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“USPTO Director”) for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusion, and agreed sanction found in the Agreement.

JURISDICTION

1. At all times relevant to a Complaint that was filed, Respondent, of Tampa, Florida, has been an attorney registered to practice before the USPTO and subject to the USPTO Rules of Professional Conduct, which are set forth at 37 C.F.R. §§ 11.101 through 11.901.

2. The USPTO Director has jurisdiction over the proceeding pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.19, 11.32, and 11.26.

STIPULATED FACTS

3. Respondent is an attorney licensed to practice law in the State of Wisconsin (Member ID Number 1003682).

4. Respondent was registered by the USPTO as a patent attorney on September 4, 1990 (Registration Number 34,441). In September 2016, Respondent founded ClearStar IP, LLC (“ClearStar”), which is a company that provides patent and trademark services including preparing, filing, and prosecuting patent and trademark applications before the USPTO.

5. Respondent was the only registered practitioner at ClearStar. All of the ClearStar applications listed Respondent as the attorney of record and were filed under his USPTO Customer Number (144122).

6. At all times relevant, Respondent controlled and directed ClearStar's actions.
7. World Patent Marketing ("WPM") was a marketing corporation that offered inventors marketing, development, and referrals to discounted patent protection services providers.
8. WPM contacted Respondent by email, provided on the UpWork.com consulting board, to inquire about receiving referrals from them.
9. Respondent did due diligence on WPM before working with them, including:
 - a. checking the BBB and finding an A+ rating;
 - b. reviewing their web site and finding that the now former United States Attorney General, Matt Whitaker, was listed as a reference and a member of WPM, and a former Congressman was also listed as a reference and a member of WPM;
 - c. reviewing some of the clients that had worked with WPM, which included medical doctors and engineers;
 - d. asking if WPM had a separate trust account for the referral clients;
 - e. researching court cases regarding companies that had been found to have had ethical and other violations, including cases involving Davidson, and InventHelp; and
 - f. spending over 20 hours over several days modifying, crafting, and designing an engagement letter to cover the known concerns and issues with working with an invention marketing company.
10. ClearStar was one of the companies that received referrals from WPM via email. ClearStar and WPM entered into an agreement whereby Respondent would provide discounted patent services to WPM referred clients and WPM would refer clients to Respondent.
11. In the referral email, the information WPM provided to Respondent included: a multi-page 20+ questionnaire regarding the invention, drawings made by the referral client and WPM, and a designation of the type of patent application that the referral client had selected.
12. Respondent generally knew about the manner in which WPM received and referred clients to him.
13. After receiving the referral email, and after receiving WPM's permission to contact their client, Respondent sent an introduction email and engagement letter to the client.
14. Respondent's first contact with WPM referred clients was through the engagement letter.

15. Respondent's engagement letter stated, in part, the following:

- a. "Thank you for considering using my patent services to represent you in connection with your intellectual property (IP) goals."
- b. "Do note though, this firm is NOT an employee or agent of WPM; this firm is an independent firm, and as such, it only represents your interest per this engagement scope."
- c. "This firm has agreed with your marketing company to provide discounted legal fees for any of their referrals."
- d. "... sign this agreement, if you want to work with my law firm."

16. The engagement letters also included patent law terms like "patent pending," "allowance," "office action," "claim," "prior art," "taught by the prior art," "finally rejected," "abandonment," "disclosing public info related to this invention," "utility patent," "design patent," "maintenance fees," "new and useful process, machine, manufacture, or composition of matter, or a new and useful improvement thereof," and "ornamental design embodied in or applied to an article of manufacture".

17. Respondent did not personally discuss the meaning of any of these patent law terms with the inventors or explain how these key terms relate to the inventor's specific invention. In the engagement letter, Respondent indicated:

E. CLEAR UNDERSTANDINGS: The Client fully understands, agrees, and attests to the following:

1. That they have read and understand this entire engagement, and had opportunity for questions.

18. Respondent contacted WPM every time he believed that there was an inappropriate design patent designation to inform WPM that he would prefer to also file a utility patent application or completely change to a utility patent application.

19. After sending his clients the engagement letter, Respondent did not communicate with some of them about key documents related to their applications.

20. Respondent did not personally explain to his clients the material risks of, and reasonably available alternatives to, WPM holding their legal fees used for paying for his legal services. In the engagement letter, Respondent provided the following information:

E. CLEAR UNDERSTANDINGS: The Client fully understands, agrees, and attests to the following:

17. That they are advised to consider contacting an attorney to assess if using a marketing company is helpful to them.

21. Respondent did not convey to his clients the risks of WPM not safeguarding the funds paid for patent services, or not authorizing him to file applications that were most suited for his clients' invention. In the engagement letter, Respondent communicated to his clients that they were responsible for payments if WPM did not remit their fees to ClearStar:

13. **E. CLEAR UNDERSTANDINGS:** The Client fully understands, agrees, and attests to the following:

14. That they agree to the following fees, and they are personally and ultimately responsible, and provide a personal guarantee for all legal fees and government fees owed herein, and client agrees to pay.

15. That Client agrees, serving as security for payment of attorney fees, to grant Clearstar IP, LLC. an **Equitable LIEN** on the subject invention and patent that attorney filed for client and clients marketing company who is enriched by the services performed by CLEARSTAR IP, LLC.

16. That they attest and represent that they have made sufficient payments to WPM to cover the filing legal fees herein, and that those filing legal fees have been set aside in a legal and lawful manner (i.e. trust account) by WPM to pay for the subject legal fees owed herein, and that WPM will transfer such filing legal fees from clients funds that have been set aside and dedicated for such legal fees from a legally created account to make such payment for Client's legal work.

22. Respondent started receiving WPM referrals in September 2016.

23. Between September 2016 and February 2017, most of Respondent's clients were referred from WPM.

24. Between September and December 2016, WPM referrals generated over 90% of Respondent's billing for patent services in 2016, and between January and February 2017, WPM referrals generated over 60% of Respondent's billing for patent services during those months.

25. Respondent invoiced WPM \$93,450 in 2016 (September – December), and \$12,200 in 2017 (January – February).

26. In November 2016, WPM started to fall behind in satisfying its financial obligations to Respondent, but did make partial payments on billing up to the end of December 2016.

27. Respondent stopped receiving full payment for work completed for the clients referred from WPM starting in November 2016, but Respondent continued working on referral clients until notice was received in late January or early February 2017 from the Federal Trade Commission ("FTC") declaring a total halting of WPM operations.¹

¹ The Federal Trade Commission eventually filed a complaint against WPM based upon its improper business practices that ultimately led to WPM closing its doors in 2017. *See FTC v. World Patent Marketing*, No. 17-cv-20848 (S.D.Fla. filed Mar. 6, 2017).

28. Respondent delayed filing some completed patent applications until after he learned that the FTC was not going to pay any refunds to the WPM clients.

29. In a January 26, 2017 email to WPM, Respondent expressed his concern about the substantial outstanding balance that WPM owed him. Respondent stated to WPM that “[w]e have sent billing for NOV 2016 and DECC 2016, and asked for payment over 12 times, and have been ignored. I have over 40 WPM clients screaming for their patent to be filed, but I cannot until I get paid for the work we did 2 and 3 months ago.”

30. On January 28, 2017, Respondent stated in another email to WPM that “THESE CLIENTS ARE ABOUT TO LOOSE THEIR PATENT RIGHTS. I NEED TO GET PAID SO I CAN DO THEIR WORK.”

31. On March 21, 2017, Respondent declared under oath that “no work has been done” on 70-80 of his clients’ applications “because WPM has not paid me.”

32. Respondent did not promptly inform his clients when he chose to temporarily suspend working on their applications. When not working on applications, Respondent considered alternative options available to his clients.

33. Respondent did not inform his clients of the potential significant adverse consequences to their applications as a result of the delay, and he did not counsel his clients on feasible filing alternatives prior to being paid by WPM. After considering the impact of the FTC action, Respondent sent his referral clients an email describing their options.

34. Respondent knew that his clients’ agreements with WPM required his referral clients to provide WPM with sufficient funds to hold to be used and transferred to him for his legal fees.

35. By March 2017, WPM had kept \$59,650.00 of Respondent’s total legal fees of \$93,450 resulting in a payment of only \$33,800.

36. Respondent filed each of his WPM referred clients’ applications electronically.

37. The Oath, Declaration, and Powers of Attorney sections of the applications were electronically signed. However, not all of Respondent’s clients actually signed these sections of their applications. The engagement letter provided the following about signatures:

H. SIGNATURES AND SPECIAL POWER OF ATTORNEY – It is agreed that any facsimile, digital typed between the hash marks -/printed name/, and email signatures (a responding email stating the client agrees with the terms of the engagement letter) are considered as acceptable as original signatures for any legal venue. The client also hereby legally grants attorney herein the special legal power of attorney to sign, if needed, only government patent and IP forms for client, such as, but not limited to IP forms: POA form AIA 82, Declaration AIA 001, PCT forms, Trademark forms, and micro entity SB15 form that claims client’s income last year was under \$150k and they have filed less than 4 previous

patents. If these are not correct, please tell us now, and it is agreed that the Firm is not liable for such inaccuracy.

38. Respondent placed his client's electronic signature onto some of their applications as provided for with the limited power of attorney.

39. On April 4, 2018, during its investigation, OED mailed Respondent a Second RFI. Respondent requested and was granted a sixty-day extension to respond to the RFI.

40. Respondent did not submit a written response to the Second RFI, but was in telephonic communication regarding settlement terms with the OED.

41. On May 22, 2018, OED mailed Respondent a Third RFI. Respondent requested a thirty-day extension to respond. OED denied the request because, among other reasons, Respondent had already received 150 days of extension to respond to various RFIs, which included a 30-day disruption caused by a mandatory hurricane evacuation.

42. Respondent did not submit a response to the Third RFI.

43. On July 9, 2018, OED mailed Respondent a Lack of Response letter reminding him that he had an ethical obligation under 37 C.F.R. § 11.801 to respond to the RFIs he received.

44. Respondent never substantively, and in writing, responded to the Second or Third RFI.

45. OED filed a Complaint with the tribunal alleging that Mr. Starkweather violated certain USPTO Rules of Professional Conduct. Mr. Starkweather filed an Answer denying some of the factual allegations and legal conclusions set forth in the Complaint.

JOINT LEGAL CONCLUSIONS

46. Respondent acknowledged that, based on the information contained in the Stipulated Facts, above, Respondent's acts and omissions violated the following provisions of the USPTO Rules of Professional Conduct:

- a. 37 C.F.R. § 11.101 (failing to provide competent representation) by, *inter alia*, signing inventors' names to Oaths, Declarations and Powers of Attorney;
- b. 37 C.F.R. § 11.102(a) (failing to abide by a client's decisions concerning the objectives of the representation) by, *inter alia*, signing his clients' name to the Oath, Declaration, and Powers of Attorney and filing the Oath, Declaration, and Powers of Attorney with the USPTO; and not showing his clients key documents related to their applications prior to preparing and filing such documents on their behalf with the Office;

- c. 37 C.F.R. § 11.103 (failing to act with reasonable diligence and promptness) by, *inter alia*, intentionally failing to timely file completed applications on behalf of his clients because of a fee dispute with WPM;
- d. 37 C.F.R. §§ 11.104(a)(1) and (b) (failing to explain a matter to the extent reasonably necessary to enable the client to make an informed decision) by, *inter alia*, not explaining the potential conflicts of interest given that he received thousands of dollars from WPM, over 90% of his billing between September 2016 and December 2016 from WPM, and over 60% of his billing between January 2017 and February 2017 from WPM;
- e. 37 C.F.R. § 11.104(a)(2) (failing to reasonably consult with a client about the means by which the client's objectives are to be accomplished) by, *inter alia*, failing to consult with his clients at the beginning of his representation about the scope of their inventions and the most appropriate type of patent application to file for their particular inventions;
- f. 37 C.F.R. § 11.104(a)(3) (failing to keep the client reasonably informed about the status of a matter) by, *inter alia*, not communicating with his clients about key documents related to their applications prior to preparing and filing such documents on their behalf with the Office;
- g. 37 C.F.R. § 11.104(b) (failing to explain a matter to the extent reasonably necessary to enable a client to make an informed decision) by, *inter alia*, not personally explaining to his clients the patent law terms in the engagement letter; and not personally explaining to his clients that he decided not to file their completed applications because of a fee dispute with a WPM and that feasible alternatives existed for filing the applications prior to being paid by WPM;
- h. 37 C.F.R. § 11.107(a) (failing to obtain informed consent in writing from clients where the representation involved a concurrent conflict of interest) by, *inter alia*, representing investors referred from WPM without disclosing that WPM referrals constituted the majority of Respondent's business between September 2016 and February 2017, and that he would communicate with WPM regarding the type of application to file;
- i. 37 C.F.R. §§ 11.303(a)(1), 11.303(a)(3), and 11.303(d) (knowingly making false statements of fact to a tribunal) by, *inter alia*, signing his clients' name to the Oath, Declaration, and Powers of Attorney, and filing the Oath, Declaration, and Powers of Attorney with the USPTO;
- j. 37 C.F.R. § 11.504(c) (permitting an entity which recommended, employed, or paid Respondent to direct or regulate Respondent's professional judgment) by, *inter alia*, allowing WPM to decide the type of application he should file for his clients;

- k. 37 C.F.R. §§ 11.804(c) and (d) (engaging in conduct involving dishonesty, fraud, deceit or misrepresentation) by, *inter alia*, signing clients' names to Oaths, Declarations, and Powers of Attorney and filing the Oaths, Declarations, and Powers of Attorney with the USPTO; and
- l. 37 C.F.R. § 11.804(d) (engaging in conduct that is prejudicial to the administration of justice) by, *inter alia*, failing to substantively, and in writing, answer the questions set forth in the Second and Third RFIs that he received during the OED investigation into his conduct with his clients.

AGREED SANCTION

47. Respondent freely and voluntarily agreed and it is hereby ORDERED that:
- a. Respondent is suspended from practice before the Office in patent matters for thirty-six (36) months commencing on the date the Final Order is signed;
 - b. Respondent shall be permitted to file a petition for reinstatement pursuant to 37 C.F.R. § 11.60(b) twenty-four (24) months after the date of the Final Order;
 - c. Respondent shall remain suspended from the practice of patent, trademark, and non-patent matters before the USPTO until reinstated by the OED Director pursuant to 37 C.F.R. § 11.60;
 - d. As a condition of reinstatement, Respondent shall, at his own expense, (1) take the Multi-State Professional Responsibility Examination ("MPRE"); (2) attain a score of 85 or better; and (3) provide a declaration to the OED Director with accompanying corroborating document(s) verifying his compliance with this subparagraph;
 - e. As a condition of reinstatement, Respondent shall, at his own expense, complete twelve (12) hours of continuing legal education on conflicts of interest, communication, trust accounts, or other ethics classes and provide a declaration to the OED Director with accompanying corroborating document(s) verifying his compliance with this subparagraph;
 - f. Respondent shall, upon reinstatement, serve a two-year probationary period commencing on the date of his reinstatement to practice before the Office;
 - g. Respondent shall comply with the USPTO Rules of Professional Conduct during the probationary period;
 - h. (1) If the OED Director is of the opinion that Respondent, during the

probationary period, failed to comply with any provision of the Agreement, the Final Order, or any disciplinary rule of the USPTO Rules of Professional Conduct, the OED Director shall: (A) issue to Respondent an Order to Show Cause why the USPTO Director should not order that Respondent be immediately suspended up to two years for such failure; (B) send the Order to Show Cause to Respondent at the last address of record Respondent furnished to the OED Director; and (C) grant Respondent fifteen (15) days to respond to the Order to Show Cause;

(2) After the expiration of the 15 day period for response, and consideration of any timely response, if the OED Director continues to be of the opinion that Respondent, during the probationary period, failed to comply with any provision of the Agreement, the Final Order, or any disciplinary rule of the USPTO Rules of Professional Conduct, the OED Director shall: (A) deliver to the USPTO Director or his designee: (i) the Order to Show Cause; (ii) Respondent's response to the Order to Show Cause, if any; and (iii) argument and evidence causing the OED Director to be of the opinion that Respondent failed to comply with any provision of the Agreement, the Final Order, or any disciplinary rule of the USPTO Rules of Professional Conduct during the probationary period, and (B) request that the USPTO Director immediately suspend Respondent for up to two years for such failure; and

(3) Nothing herein shall prevent the OED Director from seeking discipline for the misconduct that formed the basis for the Order to Show Cause.

- i. In the event the USPTO Director suspends Respondent pursuant to subparagraph h, above, and Respondent seeks a review of the suspension, any such review shall not operate to postpone or otherwise hold in abeyance the suspension;
- j. Respondent is granted limited recognition to practice before the Office beginning on the date this Final Order is signed, and expiring ninety (90) days after the date this Final Order is signed, with such limited recognition being granted for the sole purpose of facilitating Respondent's compliance with 37 C.F.R. § 11.58(b);
- k. Respondent shall be permitted to prosecute applications in which he is the sole inventor after the date of this Final Order;

- l. Respondent comply with 37 C.F.R. §§ 11.58 and 11.60;
- m. The OED Director comply with 37 C.F.R. § 11.59;
- n. The OED Director electronically publish the Final Order at OED's electronic FOIA Reading Room, which is publicly accessible at:
<http://foiadocuments.uspto.gov/oed/>;
- o. The OED Director publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Suspension and Probation

This notice concerns Michael W. Starkweather, a registered patent agent (Registration Number 34,441), who practices primarily before the Office in patent matters. The United States Patent and Trademark Office ("USPTO" or "Office") has suspended Mr. Starkweather from practice before the Office in patent, trademark, and non-patent matters for three years for violating multiple disciplinary rules. As a condition of reinstatement, and at his own expense, Mr. Starkweather must: (1) take the Multi-State Professional Responsibility Examination and provide the OED Director with a declaration and documents verifying a score of 85 or higher, and (2) successfully complete twelve hours of continuing legal education on ethics. Upon reinstatement, Mr. Starkweather shall serve a two-year probationary period commencing on the date of his reinstatement to practice before the Office.

Respondent is the founder of ClearStar IP, LLC, which is a company that provides patent and trademark services. Between September 2016 and February 2017, most of Mr. Starkweather's clients were referred from World Patent Marketing ("WPM"), a marketing company that offered marketing, development, and patent protection services to inventors. When WPM referred inventors to Mr. Starkweather, it gave him specific instructions as to the type of patent application to file for the inventor. WPM paid Mr. Starkweather directly for his services. Mr. Starkweather did not inform his clients of the amount he billed WPM.

After Mr. Starkweather received the referrals, he sent the referred inventor an engagement letter prior to filing applications. The letters included patent law terms like "patent pending," "utility patent," and "ornamental design." Respondent did not personally discuss patent law terms or each section of the letters with the inventors, did not explain how the patent law terms relate to the inventor's specific invention, and did not advise some of his client as to the type of protection that best suited their invention.

At some point, WPM stopped paying Mr. Starkweather for his patent services. Respondent delayed filing some applications that he had completed because he was not paid.

After the Office learned of Mr. Starkweather's misconduct, it sent him three requests for information ("RFI") to give him an opportunity to explain his actions. Mr. Starkweather provided a response to the first RFI. Mr. Starkweather did not submit a substantive written response to the last two requests. The OED filed a complaint against Mr. Starkweather, and Mr. Starkweather filed an Answer denying some of the factual allegations and legal conclusions in the Complaint.

Mr. Starkweather's conduct violated the following USPTO Rules of Professional Conduct:

37 C.F.R. § 11.101 by signing inventors' names to Oaths, Declarations and Powers of Attorney;

37 C.F.R. § 11.102(a) by signing his clients' name to the Oath, Declaration, and Powers of Attorney and then filing those documents with the USPTO; and by not showing his clients key documents related to their applications prior to preparing and filing such documents on their behalf;

37 C.F.R. § 11.103 by intentionally failing to timely file completed applications on behalf of his clients because of a fee dispute with WPM;

37 C.F.R. §§ 11.104(a)(1) and (b) by not explaining the potential conflicts of interest given that he received thousands of dollars from WPM, over 90% of his billing between September 2016 and December 2016 was from WPM, and over 60% of his billing between January 2017 and February 2017 was from WPM;

37 C.F.R. § 11.104(a)(2) by failing to consult with his clients at the beginning of his representation about the scope of their inventions and the most appropriate type of patent application to file for their particular inventions;

37 C.F.R. § 11.104(a)(3) by not communicating with his clients about key documents related to their applications prior to preparing and filing such documents on their behalf with the Office;

37 C.F.R. § 11.104(b) by not personally explaining to his clients the patent law terms and each section in the engagement letter; and not promptly explaining to his clients that he decided not to file their completed applications because of a fee dispute with WPM;

37 C.F.R. § 11.107(a) by representing inventors referred from WPM without disclosing to them that WPM referrals constituted the majority of

Respondent's business between September 2016 and February 2017 and that he would communicate with WPM regarding the type of application to file;

37 C.F.R. §§ 11.303(a)(1), 11.303(a)(3), and 11.303(d) by signing his clients' name to the Oath, Declaration, and Powers of Attorney and filing the Oath, Declaration, and Powers of Attorney with the USPTO;

37 C.F.R. § 11.504(c) by seeking WPM's approval to add or change to a utility patent application;

37 C.F.R. §§ 11.804(c) and (d) by signing clients' names to Oaths, Declarations, and Powers of Attorney and filing the Oaths, Declarations, and Powers of Attorney with the USPTO; and

37 C.F.R. § 11.804(d) by failing to substantively, and in writing, answer any of the questions set forth in the Second and Third RFIs that he received during the OED investigation into his conduct with his clients.

Practitioners are encouraged to read the Final Orders published by the OED Director in *In re Wold*, Proceeding No. D2018-35 (USPTO Sept. 20, 2018); *In re Montgomery*, Proceeding No. D2018-02 (USPTO Jan. 10, 2018); *In re Mikhailova*, Proceeding No. D2017-18 (USPTO June 16, 2017); *In re Virga*, Proceeding No. D2017-14 (USPTO Mar. 16, 2017); which contain facts similar to those presented in Mr. Starkweather's case and which contain additional guidance to registered practitioners who accept referrals from non-practitioner third parties, such as a company that aims to assist inventors in protecting and/or marketing their inventions. *Cf. In re Meyer*, Proceeding No. D2010-41 (USPTO Sept. 7, 2011) (referral of trademark applicants).

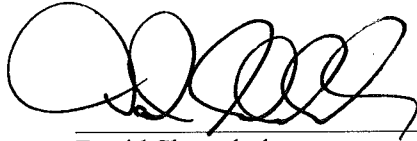
This action is the result of a settlement agreement between Mr. Starkweather and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19, 11.20, and 11.26. Disciplinary decisions involving practitioners are posted for public reading at the OED Reading Room, available at:
<http://foiadocuments.uspto.gov/oed/>

- p. Nothing in the Agreement or the Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including the Final Order: (1) when addressing any further complaint or evidence of the misconduct concerning Respondent brought to the attention of the Office; (2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed, and/or (ii) to rebut any statement or representation by or on Respondent's behalf; and (3) in connection with any request for reconsideration of a decision on a petition for reinstatement.

- q. Pursuant to the express language in the Agreement, Respondent waives all rights to seek reconsideration of the Final Order under 37 C.F.R. § 11.56, waives the right to have the Final Order reviewed under 37 C.F.R. § 11.57, and waives the right otherwise to appeal or challenge the Final Order in any manner; and
- r. Each party shall bear their own costs incurred to date and in carrying out the terms of the Agreement and any Final Order.

17 Oct 2019

Date



David Shewchuk
Deputy General Counsel for General Law
United States Patent and Trademark Office

on delegated authority by

Andrei Iancu
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc:
OED Director
U.S. Patent and Trademark Office

Michael W. Starkweather
c/o Mark T. Ethington, P.C.
1099 W. South Jordan Parkway
South Jordan, UT 84095

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of

Lenise R. Williams,

Respondent

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Proceeding No. D2019-23

FINAL ORDER

Pursuant to 37 C.F.R. § 11.27(b), the Director of the United States Patent and Trademark Office (“USPTO” or “Office”) received, for review and approval, from the Director of the Office of Enrollment and Discipline (“OED Director”) an Affidavit of Resignation Pursuant to 37 C.F.R. § 11.27 executed by Lenise R. Williams (“Respondent”) on September 13, 2019. Respondent submitted the six-page Affidavit of Resignation to the USPTO for the purpose of being excluded on consent pursuant to 37 C.F.R. § 11.27.

For the reasons set forth herein, Respondent’s Affidavit of Resignation shall be approved, and Respondent shall be excluded on consent from practice before the Office in trademark and other non-patent matters commencing on the date of this Final Order.

Jurisdiction

Respondent of Atlanta, Georgia is an attorney admitted to practice in Louisiana, currently currently eligible to practice law. Respondent has practiced before the Office in trademark matters. Respondent is a “practitioner” pursuant to 37 C.F.R. § 11.1. Respondent is subject to the USPTO Rules of Professional Conduct, 37 C.F.R. § 11.101 *et seq.*

Pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. § 11.27, the USPTO Director has the authority to approve Respondent's Affidavit of Resignation and to exclude Respondent on consent from the practice of trademark and other non-patent law before the Office.

Respondent's Affidavit of Resignation

Respondent acknowledges in her September 13, 2019 Affidavit of Resignation that:

1. Her consent is freely and voluntarily rendered, and she is not being subjected to coercion or duress.

2. She is aware that, pursuant to 37 C.F.R. § 11.34, the OED Director has filed a Disciplinary Complaint alleging that she violated the USPTO Rules of Professional Conduct, namely: *In re Lenise R. Williams*, Proceeding No. D2019-23. The Complaint alleges, *inter alia*, the following:

- a. Respondent was admitted to the Louisiana State Bar Association on April 22, 2005, (Bar Roll No. 29706);
- b. Respondent is not licensed to practice law in any jurisdiction other than Louisiana;
- c. Respondent has practiced before the Office in trademark matters;
- d. Only an attorney active and in good standing with the highest court of a State, Respondent may represent others before the Office in trademark and other non-patent matters. 37 C.F.R. §11.1 and 37 C.F.R. § 11.14(a);
- e. USPTO regulations require that the person named as the signatory on an electronic trademark document to be filed with the Office must personally enter his or her electronic signature on the document (*i.e.*, personally enter the combination of letters, numbers, spaces and/or punctuation marks that he or she has adopted as a signature, placed between two forward slash ("/") symbols in the signature block on the electronic submission). *See* 37 C.F.R. § 2.193(a)(2), (c), and (e);
- f. USPTO Trademark Manual of Examining Procedure ("TMEP") provides guidance to practitioners regarding the USPTO trademark electronic signature regulations:

All documents must be personally signed. 37 C.F.R. §§ 2.193(a)(1), (c)(1), 11.18(a).

The person(s) identified as the signatory must manually enter the elements of the electronic signature.

Another person (e.g., paralegal, legal assistant, or secretary) may not sign the name of a qualified practitioner or other authorized signatory.

Just as signing the name of another person on paper does not serve as the signature of the person whose name is written, typing the electronic signature of another person is not a valid signature by that person.

See TMEP § 611.01(c) (case citations omitted) (line spacing added);

- g. Trademark documents filed with the Office—such as Trademark/Service Mark Statements of Use pursuant to 15 U.S.C. § 1051(d)—typically carry an important warning in the declarations, such as:

The signatory being warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001, and that such willful false statements and the like may jeopardize the validity of the application or submission or any registration resulting therefrom, declares that all statements made of his/her own knowledge are true and all statements made on information and belief are believed to be true

- h. Contrary to the USPTO trademark signature regulations and guidance referenced in paragraphs a. through g., above, Respondent impermissibly entered the electronic signatures of her clients on the following:
 - i. Trademark Application No. 87/301,302: Petition to Revive Abandoned Application, Statement of Use;
 - ii. Trademark Application No. 87/369,782: Petition to Revive;
 - iii. Trademark Application No. 87/762,116: Application, Change of Correspondence Address;
 - iv. Trademark Application No. 87/424,271: Response to Office action;
 - v. Trademark Application No. 87/648,388: Response to Office action;
 - vi. Trademark Application No. 87/846,302: Change of Correspondence Address;
 - vii. Trademark Application No. 87/641,008: Response to Office action;

- viii. Trademark Application No. 87/440,248: Response to Office Action;
- ix. Trademark Application No. 87/369,798, Post-Publication Amendment;
and
- x. Trademark Application No. 87/846,302, Application;
- i. Because Respondent entered her clients' names on these documents and filed them with the Office, the documents were filed with false signatures;
- j. On June 29, 2017, the Supreme Court of the State of Louisiana suspended Respondent from the practice of law in Louisiana for one year and one day with all but sixty days deferred and Respondent is required to successfully complete a two-year period of unsupervised probation;
- k. Respondent's Louisiana suspension ran from June 29, 2017, through the date of her Louisiana remstatement on May 2, 2018;
- l. Respondent's probationary period in Louisiana runs from December 4, 2018 to December 4, 2020;
- m. Respondent was reciprocally disciplined by the USPTO on November 7, 2018, suspending her from practice before the Office for a period of one year and one day, with all but sixty days deferred, plus a two-year probation. Respondent was eligible to apply for reinstatement before the Office on January 6, 2019;
- n. Respondent has not applied for reinstatement to practice before the USPTO, and remains suspended. 37 C.F.R. § 11.60;
- o. Between June 29, 2017 and May 4, 2018, due to her suspension Respondent was not a member in good standing with the Louisiana State Bar, and therefore, not authorized to practice before the Office in trademark matters;
- p. During this time period when Respondent was not authorized to practice before the USPTO, Respondent prepared and filed documents with the USPTO in at least nineteen trademark applications;
- q. During this time period when Respondent was not authorized to practice before the USPTO, Respondent approved at least five Examiner's Amendments in trademark applications;
- r. During this time period when Respondent was not authorized to practice before the USPTO, Respondent filed a Notice of Opposition in a Trademark Trial and Appeal Board proceeding;

- s. For administrative reasons, Respondent was ineligible to practice law in Louisiana and before the Office from September 9, 2011 through September 13, 2011; from September 9, 2014 through September 19, 2016, and from September 17, 2018 through October 30, 2018;
- t. During these time periods, Respondent filed nine trademark applications and other documents furthering the prosecution of the applications with the Office despite the fact that Respondent was ineligible to practice before the Office;
- u. Respondent did not inform all of her clients that she was ineligible to practice before the Office; and
- v. Respondent did tell some of her clients that she was ineligible to practice before the Office because she erroneously believed that the client could consent to her representing them before the Office despite the fact she was not authorized to practice before the Office. Respondent now knows that the lack of authority to practice before the Office cannot be waived by a client.

3. Respondent is aware that based on the allegations set out in the Complaint, that the OED Director is of the opinion that she violated the following provisions of 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); and

37 C.F.R. § 11.804(i) (engaging in other conduct that adversely reflects on the practitioner's fitness to practice before the USPTO).

3. Without admitting to violating any of the disciplinary rules of the USPTO Rules of Professional Conduct outlined in the Complaint styled as *In re Lenise R. Williams*, Proceeding No. D2019-23, Respondent acknowledges that, if and when she applies for reinstatement under 37 C.F.R. § 11.60 to practice before the USPTO in trademark and/or other non-patent matters, the OED Director will conclusively presume, for the purpose of determining the application for reinstatement, that (a) the allegations regarding her in the Complaint *In re Lenise R. Williams*, Proceeding No. D2019-23 are true, and (b) she could not have successfully defended herself against such allegations.

4. Respondent has fully read and understands the provisions of 37 C.F.R. §§ 11.5(b), 11.27, 11.58, 11.59, and 11.60, and is fully aware of the legal and factual consequences of consenting to exclusion from practice before the USPTO in trademark and other non-patent matters.

5. Respondent consents to being excluded from practice before the USPTO in trademark and other non-patent matters.

Exclusion on Consent

Based on the foregoing, the USPTO Director has determined that Respondent's Affidavit of Resignation complies with the requirements of 37 C.F.R. § 11.27(a). Accordingly, it is hereby ORDERED that:

1. Respondent's Affidavit of Resignation shall be, and hereby is, approved;
2. Respondent shall be, and hereby is, excluded on consent from practice before the Office in trademark and other non-patent matters commencing on the date of this Final Order;

3. The OED Director shall electronically publish the Final Order at the Office of Enrollment and Discipline's electronic FOIA Reading Room, which is publicly accessible at <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;

4. The OED Director shall publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Exclusion on Consent

This notice concerns Lemise R. Williams, of Atlanta, Georgia. Ms. Williams is an attorney admitted to practice in Louisiana. The Director of the United States Patent and Trademark Office ("USPTO" or "Office") has accepted Ms. Williams's affidavit of resignation and ordered her exclusion on consent from practice before the Office in trademark and non-patent law.

Ms. Williams voluntarily submitted her affidavit at a time when a disciplinary investigation was pending against her. The investigation concerned Ms. Williams practicing trademark law before the USPTO in trademark matters in violation of the USPTO signature rules and regulations. USPTO regulations require that the person named as the signatory on an electronic trademark document to be filed with the Office must personally enter his or her electronic signature on the document (*i.e.*, personally enter the combination of letters, numbers, spaces and/or punctuation marks that he or she has adopted as a signature, placed between two forward slash ("/") symbols in the signature block on the electronic submission). *See* 37 C.F.R. § 2.193(a)(2), (c), and (e); TMEP § 611.01(c). Contrary to the USPTO trademark signature regulations and guidance Ms. Williams impermissibly entered the electronic signatures of her clients on ten different documents in certain Trademark applications. Because Ms. Williams entered her clients' names on these documents and filed them with the Office, the documents were filed with false signatures.

Furthermore, Ms. Williams impermissibly practiced before the Office when she was not authorized to do so. Only an attorney active and in good standing with the highest court of a State, Respondent may represent others before the Office in trademark and other non-patent matters. 37 C.F.R. § 11.1 and 37 C.F.R. § 11.14(a). On June 29, 2017, the Supreme Court of the State of Louisiana suspended Ms. Williams from the practice of law in Louisiana for one year and one day with all but sixty days deferred and Ms. Williams is required to successfully complete a two-year period of unsupervised probation. Ms. Williams' Louisiana suspension ran from June 29, 2017, through the date of my Louisiana reinstatement on May 2, 2018.

Ms. Williams was reciprocally disciplined by the USPTO on November 7, 2018, suspending her from practice before the Office for a period of one year and one day, with all but sixty days deferred, plus a two-year probation. Ms. Williams was eligible to apply for reinstatement before the Office on January 6, 2019. Ms. Williams has not applied for reinstatement to practice before the USPTO, and remains suspended. 37 C.F.R. § 11.60. Between June 29, 2017 and May 4, 2018, due to Ms. Williams' suspension she was not a member in good standing with the Louisiana State Bar, and therefore, not authorized to practice before the Office in trademark matters. During this time period when Ms. Williams was not authorized to practice before the USPTO, Ms. Williams prepared and filed documents with the USPTO in at least nineteen trademark applications, approved at least five Examiner's Amendments in trademark applications, and filed a Notice of Opposition in a Trademark Trial and Appeal Board proceeding.

Lastly, for administrative reasons, Ms. Williams was ineligible to practice law in Louisiana and before the Office from September 9, 2011 through September 13, 2011; from September 9, 2014 through September 19, 2016, and from September 17, 2018 through October 30, 2018. During these time periods, Ms. Williams filed nine trademark applications and other documents furthering the prosecution of the applications with the Office despite the fact that she was ineligible to practice before the Office. Ms. Williams did not inform all of her clients that she was ineligible to practice before the Office. Ms. Williams did tell some of her clients that she was ineligible to practice before the Office because she erroneously believed that the client could consent to her representing them before the Office despite the fact she was not authorized to practice before the Office. Ms. Williams now knows that the lack of authority to practice before the Office cannot be waived by a client.

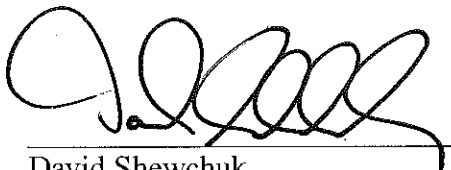
Ms. Williams acknowledged that the OED Director was of the opinion that her conduct violated 37 C.F.R. § 11.104(a)(2) (failing to reasonably consult with the client about the means by which the client's objectives are to be accomplished); 37 C.F.R. § 11.104(a)(3) (failing to keep the client reasonably 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); and 37 C.F.R. § 11.804(i) (engaging in other conduct that adversely reflects on the practitioner's fitness to practice before the USPTO).

While Ms. Williams did not admit to violating any provisions of the USPTO Rules of Professional Conduct as alleged in the complaint, she acknowledged that, if and when she applies for reinstatement, the OED Director will conclusively presume, for the limited purpose of determining the application for reinstatement, that (i) the allegations set forth in the complaint against her are true, and (ii) she could not have successfully defended herself against those allegations.

This action is taken pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32, and 37 C.F.R. §§ 11.27 and 11.59. Disciplinary decisions involving practitioners are posted for public reading at the Office of Enrollment and Discipline Reading Room, available at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;

5. Respondent shall comply fully with 37 C.F.R. § 11.58; and
6. Respondent shall comply fully with 37 C.F.R. § 11.60 upon any request for reinstatement.



David Shewchuk
Deputy General Counsel for General Law
United States Patent and Trademark Office

20 Sept 2019

Date

on delegated authority by

Andrei Iancu
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director of the United States Patent and Trademark Office

cc:
William R. Covey
Director of the Office of Enrollment and Discipline
U.S. Patent and Trademark Office

Ms. Lenise R. Williams
2451 Cumberland Blvd., Suite 3308
Atlanta, Georgia 30339
[REDACTED]

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of)	
)	
Renuka Rajan,	)	Proceeding No. D2019-30
)	
Respondent)	
_____)	

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and Renuka Rajan (“Respondent”), have submitted a Proposed Settlement Agreement (“Agreement”) to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“USPTO Director”) for approval. The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusion, and sanctions.

Jurisdiction

1. At all times relevant hereto, Respondent of Tamil Nadu, India has been an attorney in good standing in the State of New York and, as such, was authorized to practice before the USPTO in trademark matters. *See* 37 C.F.R. § 11.14(a). Respondent is subject to the USPTO Rules of Professional Conduct, 37 C.F.R. §§ 11.101 through 11.901.

2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19, 11.20, and 11.26.

Joint Stipulated Facts

3. USPTO regulations require that the person named as the signatory on an electronic trademark document to be filed with the Office must personally enter his or her electronic signature on the document (*i.e.*, personally enter the combination of letters, numbers, spaces and/or punctuation marks that he or she has adopted as a signature, placed between two forward slash (“/”) symbols in the signature block on the electronic submission). *See* 37 C.F.R. § 2.193(a)(2), (c), and (e).

4. The USPTO Trademark Manual of Examining Procedure (“TMEP”) provides guidance to practitioners regarding the USPTO trademark electronic signature regulations:

All documents must be personally signed. 37 C.F.R. §§ 2.193(a)(1), (c)(1), 11.18(a).

The person(s) identified as the signatory must manually enter the elements of the electronic signature.

Another person (*e.g.*, paralegal, legal assistant, or secretary) may not sign the name of a qualified practitioner or other authorized signatory.

Just as signing the name of another person on paper does not serve as the signature of the person whose name is written, typing the electronic signature of another person is not a valid signature by that person.

See TMEP § 611.01(c) (case citations omitted) (line spacing added).

5. Respondent was admitted to practice law in New York in 2016 (Bar Number 5425327) and is currently an active member in good standing.

6. From July 11, 2016 until August 2, 2019, Respondent was employed by LegalForce RAPC Worldwide, a law firm (hereinafter “law firm”). Respondent represents that she did not have the authority to hire or fire the law firm’s non-practitioner assistants or have supervisory authority over the law firm’s attorneys. Respondent worked in the law firm’s Tamil Nadu, India office.

7. At all relevant times, Respondent was the attorney of record before the USPTO in many pending trademark applications or issued (or renewed) registrations.

8. At all relevant times, Respondent also prepared and reviewed trademark documents in pending trademark applications or issued (or renewed) registrations in which other attorneys from the law firm were the attorney of record before the USPTO.

9. Non-practitioner assistants helped Respondent in preparing and filing trademark documents filed with the USPTO.

10. Contrary to the USPTO trademark signature regulations and guidance referenced in paragraphs 13 and 14, above, non-practitioner assistant employees of the law firm were impermissibly signing client names to USPTO trademark filings. This was a practice of the law firm.

11. The filings—such as Trademark/Service Mark Statements of Use pursuant to 15 U.S.C. § 1051(d)—typically carried an important warning in the declarations, such as:

The signatory being warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001, and that such willful false statements and the like may jeopardize the validity of the application or submission or any registration resulting therefrom, declares that all statements made of his/her own knowledge are true and all statements made on information and belief are believed to be true.

12. The impermissible signature practice existed prior to Ms. Rajan's employment by the law firm and continued at least until June 2018. By such time, Respondent unknowingly had been directly involved, as the attorney of record or as an attorney assisting the attorney of record, in numerous impermissibly signed trademark documents filed with the USPTO.

13. Respondent represents that she first became aware in or around June 2018 that non-practitioner assistants employed by the law firm were signing client names to trademark filings contrary to the aforementioned USPTO trademark signature regulations and TMEP guidance. Prior to June 2018, she did not know this was happening as a standard practice at the law firm.

14. Respondent represents that, prior to May 2019, she did not fully understand that even though she was not the manager responsible for ensuring compliance by non-lawyers with the USPTO signature rules, it was still her professional obligation to ensure that her trademark filings for clients, for whom she was the attorney of record, comported with the signature regulations of 37 C.F.R. § 2.193 and TMEP § 611.01(c).

15. Respondent did not fully understand her duty to inform her clients, herself, about filings that did not comply with the USPTO signature regulations, rather than relying on the law firm's representation that they were contacting all clients whose signatures may have been improperly entered by non-lawyer law firm employees, and that it was insufficient for her to rely upon the law firm's representations that managers of the non-lawyers assistants were ensuring that those assistants were obtaining electronic signatures from the clients themselves.

16. Respondent admits that even after learning of the signature violations, she did not take sufficient steps before May 2019 to notify clients or the USPTO promptly about the material misrepresentations inherent in the improperly signed documents for matters in which she was the attorney of record. Instead, she relied upon the law firm's representations to her that the law firm was taking the steps necessary to make such notifications and followed the law firm's instructions regarding these notifications.

17. In around February 2019, the law firm told Respondent and other firm attorneys that the law firm was going to be contacting all clients potentially impacted by the signature issues. The law firm indicated to Respondent that it was consolidating the matters mentioned in all OED communications with different attorneys and that they were taking steps to contact clients with a template email that was to be sent out from only one inbox to keep things consistent. The law firm

shared with Respondent a copy of the template email that the law firm was going to send to potentially impacted clients. The email essentially conveyed to law firm clients that the firm was auditing its files and asked the client to ratify prior signatures. Respondent thereafter received confirmation from some of her clients who copied her on emails replying to the law firm's communications, or who emailed her with questions. Thereafter, Respondent discovered that there were several versions of the email template that the law firm told its employees it was sending to clients and some differed from the email template that was initially shared with her. The most recent email template to clients indicated that the law firm is now advising clients of the potential signature issues and also the likely adverse implications for the clients' rights as a result.

18. Respondent admits that she did not fully understand her obligations concerning responding to Requests for Information ("RFIs") from OED. The law firm provided her with templates for suggested responses to the RFIs and directed her to edit the templates for accuracy and submit them to OED. Respondent was advised by other attorneys in the law firm that she could only respond to things of which she had personal knowledge and that she should refer OED to her managers for other areas of inquiry. Respondent now knows that she should not have indicated that certain information could be obtained from firm managers rather than responding to the requests for information herself.

19. Respondent admits that she did not understand that her responses to the RFIs should not have been limited based on assertions of attorney-client confidentiality and she had an independent duty to make that assessment rather than rely on contrary advice from the law firm.

Additional Considerations

20. Respondent has never been the subject of professional discipline by the USPTO, any court, or any state bar.

21. Respondent has shown contrition for and understanding of the seriousness of the violations of the USPTO Rules of Professional Conduct stipulated to herein and she acknowledges the potential adverse impact on her clients' intellectual property rights from the filings that were made in violation of the USPTO signature regulations.

22. Respondent chose to resign from the law firm, notwithstanding the financial burden of being unemployed as a result, rather than risk the possibility of failure to comply with the USPTO rules at any step of the trademark registration process, for every matter where she was the Attorney of Record.

23. Upon learning of the impermissible signature practice as detailed in the disciplinary Complaint filed against her by the USPTO, and concluding she personally had a duty to take remedial steps, Respondent took corrective action by contacting the 16 clients listed in the Complaint. Respondent then submitted the newly signed pages she received from 11 clients as "Voluntary/Preliminary Amendments" with the USPTO.

24. Respondent agrees to cooperate with all present and future OED investigations and proceedings pertaining to her former law firm and the attorneys who work (or worked) there to the extent she is able, given that she resides in India. If unable to appear in person, Respondent agrees to provide evidence or testimony remotely.

Joint Legal Conclusions

25. Respondent acknowledges that, based on the information contained in the joint stipulated facts, above, her conduct—as either (a) the attorney of record for clients in pending trademark applications or issued (or renewed) registrations before the USPTO or as (b) an attorney who prepared and reviewed trademark documents on behalf of clients in pending trademark applications or issued (or renewed) registrations before the USPTO in which other attorneys from the law firm were the attorney of record—violated the following provisions of the USPTO Rules of Professional Conduct:

a. 37 C.F.R. §§ 11.103 (practitioner shall act with reasonable diligence and promptness in representing a client) and 11.503(b) (practitioner's responsibility over non-practitioners assisting practitioner) by, in applications for which she was the attorney of record: (i) having trademark documents filed with the USPTO where someone other than the named signatory electronically signed the documents in violation of USPTO trademark signature regulations and guidance; (ii) prior to trademark documents being filed with the USPTO, not taking reasonable steps to learn whether non-practitioner assistants who were tasked with obtaining the signatures of the named signatories on trademark documents were impermissibly signing the documents (*e.g.*, by not monitoring the signature process or otherwise taking reasonable steps to learn whether non-practitioner assistants were actually obtaining the named signatories' respective signatures); (iii) not knowing that non-practitioner assistants were signing for the named signatories; and/or (iv) after learning of the impermissible signature practice, not promptly notifying clients about the impermissibly signed trademark filings or the actual or potential adverse consequences to the clients' pending applications or issued (or renewed) registrations arising from the impermissible signature practice;

b. 37 C.F.R. §§ 11.104(a) and (b) (communications with client), after learning of the impermissible signature practices at the law firm, not promptly informing clients about impermissibly signed trademark filings or the status of their pending applications and issued (or renewed) registrations in light of the impermissible signature practice; not promptly and reasonably explaining to clients the actual or potential adverse consequences to the clients' pending applications or issued (or renewed) registrations arising from the impermissible signature practice (*e.g.*, including whether the electronic signing of a document, including a declaration, by one other than the named signatory jeopardizes the

intellectual property rights of the client); and not promptly and reasonably consulting with clients about the actual or potential adverse consequences to the clients' pending applications or issued (or renewed) registrations arising from the impermissible signature practice so that clients can make informed decisions regarding the representation of their trademark interests;

c. 37 C.F.R. § 11.303(a)(1), (a)(3), (b), (d) (candor toward the USPTO) by having trademark documents, including declarations, filed with the USPTO that were not signed by the named signatory (*i.e.*, documents impliedly falsely representing that the named signatory was the person who actually signed the document) and not promptly reasonably correcting the impliedly false statement of material fact after learning of the impermissibly signed filings (*e.g.*, informing the USPTO that the named signatory did not sign the document); and

d. 37 C.F.R. §§ 11.804(c) (misrepresentation) and (d) (conduct prejudicial to the USPTO trademark registration process) by (i) having trademark documents, including declarations, filed with the USPTO that were not signed by the named signatory (*i.e.*, documents impliedly falsely representing that the named signatory was the person who actually signed the document) and not promptly reasonably correcting the impliedly false statement after learning of the impermissibly signed filings (*e.g.*, informing the USPTO that the named signatory did not sign the document) and (ii) by having declarations filed with the USPTO, on which the USPTO relied in examining trademark applications and issuing (or renewing) registrations, that were signed by other than the named declarant and not promptly taking reasonable remedial measures regarding the declarations (*e.g.*, informing the USPTO that the named signatory did not sign the document).

Agreed-Upon Sanction

26. Respondent agrees and it is hereby ORDERED that:

- a. Respondent be and hereby is publicly reprimanded;
- b. Respondent shall serve a twelve (12) month probationary period beginning on the date of this Final Order;
- c. (1) If the OED Director is of the opinion that Respondent, during Respondent's probationary period, has failed to comply with any provision of the USPTO Rules of Professional Conduct, the provisions of the Proposed Settlement Agreement, or this Final Order, the OED Director shall:

(A) issue to Respondent an Order to Show Cause why the USPTO Director should not enter an order immediately suspending the

Respondent for up to twelve (12) months for the violations set forth in the Joint Legal Conclusions, above;

(B) send the Order to Show Cause to Respondent at the last address of record Respondent furnished to the OED Director;

(C) grant Respondent fifteen (15) days to respond to the Order to Show Cause; and

(2) In the event that after the 15-day period for response and consideration of the response, if any, received from Respondent, the OED Director continues to be of the opinion that Respondent, during Respondent's probationary period, failed to comply with any provision of the USPTO Rules of Professional Conduct, the provisions of the Proposed Settlement Agreement, or this Final Order, the OED Director shall:

(A) deliver to the USPTO Director or his designee: (i) the Order to Show Cause; (ii) Respondent's response to the Order to Show Cause, if any; and (iii) argument and evidence supporting the OED Director's position; and

(B) request that the USPTO Director enter an order immediately suspending Respondent for up to twelve (12) months for the violations set forth in the Joint Legal Conclusions above;

- d. Nothing herein shall prevent the OED Director from seeking discrete discipline for any misconduct that formed the basis for an Order to Show Cause issued pursuant to the preceding subparagraph;
- e. In the event the USPTO Director suspends Respondent pursuant to subparagraph (c), above, and Respondent seeks a review of any such action, such review shall not operate to postpone or otherwise hold in abeyance the suspension;
- f. The OED Director shall electronically publish the Final Order at the OED'S electronic FOIA Reading Room, which is publicly accessible through the Office's website at: <https://foiadocuments.uspto.gov/oed/>
- g. The OED Director shall publish the following notice in the *Official Gazette*:

Notice of Public Reprimand and Probation

This notice concerns Ms. Renuka Rajan, a trademark attorney licensed in the state of New York, who resides in Tamil Nadu, India. Ms. Rajan is hereby publicly reprimanded and placed on probation for twelve (12)

months for violating 37 C.F.R. §§ 11.104; 11.303(a)(1), (a)(3), (b) and (d); and 11.804(c) and (d).

These violations are predicated on non-practitioner assistants electronically signing numerous USPTO trademark filings on behalf of the named signatories in violation of the USPTO trademark electronic signature regulations and guidance in trademark matters where Ms. Rajan was either the attorney of record or the attorney who prepared, reviewed, and/or caused to be filed trademark documents where another attorney was the attorney of record. Ms. Rajan is permitted to practice before the Office in trademark and other non-patent matters during her probationary period unless she is subsequently suspended by order of the USPTO Director.

From July 11, 2016 until August 2, 2019, Ms. Rajan was a trademark attorney employed by LegalForce RAPC Worldwide ("RAPC"). Prior to Ms. Rajan's employment at RAPC and until at least June 2018, as a standard practice, non-practitioner assistants at RAPC were signing client names to USPTO trademark filings in violation of USPTO trademark signature regulations and guidance. Ms. Rajan represents that she first became aware in or around June 2018 that non-practitioners were signing client names to trademark documents filed with the USPTO. Ms. Rajan further represents that, while representing clients in trademark matters before the USPTO, she did not understand adequately the USPTO trademark signature requirements of 37 C.F.R. § 2.193 or the guidance set forth in TMEP § 611.01(c). Consequently, during this time period, Ms. Rajan did not take reasonable and appropriate steps to ensure compliance with the USPTO trademark signature requirements or guidance and allowed trademark documents to be filed with the USPTO that were not signed by the named signatory. After learning of the impermissible signature practice, Ms. Rajan did not promptly notify clients about impermissibly signed trademark filings or the legal status of their pending applications and issued (or renewed) registrations in light of the impermissible signature practice. Further, after learning of the impermissible signature practice, Ms. Rajan did not promptly notify the USPTO about the impermissibly signed trademark filings or promptly take reasonable remedial measures regarding the declarations, such as informing the USPTO that the named signatory did not sign the document.

Ms. Rajan has acknowledged her ethical lapses, demonstrated genuine contrition, and accepted responsibility for her conduct. She has left the employ of RAPC. Moreover, Ms. Rajan has contacted her clients regarding the impermissible signatures and filed corrected signature documents with the USPTO. Ms. Rajan has agreed to cooperate with OED in any current or future investigations of RAPC or the attorneys who work there.

USPTO trademark signature regulations require that a proper person sign a trademark document and that the person named as the signatory on the document be the one who enters his or her electronic signature on the document (*i.e.*, personally enter the combination of letters, numbers, spaces and/or punctuation marks that he or she has adopted as a signature, placed between two forward slash (“/”) symbols in the signature block on the electronic submission). *See* 37 C.F.R. § 2.193(a)(2), (c) and (e).

The USPTO Trademark Manual of Examining Procedure (“TMEP”) provides straightforward guidance regarding the USPTO trademark electronic signature regulations:

All documents must be personally signed. 37 C.F.R. §§ 2.193(a)(1), (c)(1), 11.18(a).

The person(s) identified as the signatory must manually enter the elements of the electronic signature.

Another person (*e.g.*, paralegal, legal assistant, or secretary) may not sign the name of a qualified practitioner or other authorized signatory.

Just as signing the name of another person on paper does not serve as the signature of the person whose name is written, typing the electronic signature of another person is not a valid signature by that person.

See TMEP § 611.01(c) (case citations omitted) (line spacing added).

Practitioners may delegate tasks to non-practitioner paraprofessionals and other non-practitioner assistants. But where a task is so delegated, the practitioner must adequately supervise the non-practitioner, including giving appropriate instruction and monitoring the non-practitioners’ activities. As in this matter, a practitioner may be disciplined for failing to take reasonable steps to supervise their paraprofessionals and other non-practitioner assistants.

Practitioners who represent trademark applicants before the USPTO “shall not knowingly . . . [m]ake a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the practitioner,” which includes, *e.g.*, a declaration not signed by the named signatory. 37 C.F.R. § 11.303(a)(1). “If a practitioner, the practitioner’s client, or a witness called by the practitioner, has offered material evidence and the practitioner comes to know of its falsity, the practitioner shall take reasonable remedial measures, including, if

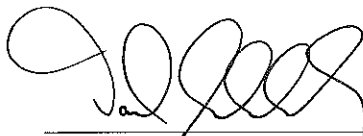
necessary, disclosure to the [USPTO].” 37 C.F.R. § 11.303(a)(3). Practitioners also have the obligation to disclose to the USPTO that a person is engaging in or has engaged in fraudulent conduct relating to the examination of the practitioner’s client’s trademark application or renewal of registration and to take reasonable remedial measures. *See generally* 37 C.F.R. § 11.303(b). Compliance with § 11.303(a)(1), (a)(3), and (b) is required even if compliance requires disclosure of information or evidence otherwise protected by 37 C.F.R. § 11.106. *See generally* 37 C.F.R. § 11.303(d). Similar ethical obligations are found in 37 C.F.R. § 11.401.

Practitioners who represent trademark applicants before the USPTO have an ethical obligation to the USPTO not to engage in conduct prejudicial to the administration of justice and not to engage in conduct involving misrepresentation. *See generally* 37 C.F.R. § 11.804(c) and (d). Accordingly, practitioners who represent trademark applicants before the USPTO are reasonably expected not to file, or allow to be filed, declarations that are not signed by the named signatory. Trademark filings bearing declarations—such as a TEAS Plus Application, a Trademark/Service Mark Statement of Use pursuant to 15 U.S.C. § 1051(d) and a Combined Declaration of Use and Incontestability Under Sections 8 and 15—are relied upon by the USPTO when examining trademark applications, registering marks, and renewing registrations. When such filings are impermissibly signed and filed with the USPTO, the integrity of the federal trademark registration process is adversely affected. If signed by a person determined to be an unauthorized signatory, a resulting registration may be invalid.

This action is the result of a settlement agreement between Ms. Rajan and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19, 11.20, and 11.26. Disciplinary decisions involving practitioners are posted for public reading at the Office of Enrollment and Discipline Reading Room accessible at: <https://foiadocuments.uspto.gov/oed>.

- h. Nothing in this Agreement or the Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including this Final Order: (1) when addressing any further complaint or evidence of the same or similar misconduct concerning Respondent brought to the attention of the Office and (2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed, and/or (ii) to rebut any statement or representation by or on Respondent’s behalf.
- i. Respondent has agreed to waive all rights to seek reconsideration of this Final Order under 37 C.F.R. § 11.56, waives the right to have this Final Order reviewed under 37 C.F.R. § 11.57, and waives the right otherwise to appeal or challenge this Final Order in any manner; and

- j. Each party shall each bear their own costs incurred to date and in carrying out the terms of this Agreement and this Final Order.



David M. Shewchuk
Deputy General Counsel for General Law
United States Patent and Trademark Office

9/5/19

Date

on delegated authority by

Andrei Iancu
Deputy Under Secretary of Commerce for Intellectual Property and
Deputy Director Of The United States Patent And Trademark Office

cc:

William R. Covey
OED Director, USPTO

Mr. Danny Howell
Ms. Jennifer Rowlett
Law Offices of Danny M. Howell, PLLC
200 Little Falls Street, Suite 207
Falls Church, VA 22046
Counsel for Renuka Rajan

UNITED STATES PATENT AND TRADEMARK OFFICE

In the Matter of:)	
)	
Leslie A. Thompson,	)	Proceeding No. D2019-35
)	
Respondent)	
_____)	

FINAL ORDER PURSUANT TO 37 C.F.R. § 11.24

Pursuant to 37 C.F.R. § 11.24, Leslie A. Thompson (“Respondent”) is hereby suspended for thirty (30) days from the practice of patent, trademark, and other non-patent law before the United States Patent and Trademark Office (“USPTO” or “Office”). Respondent’s reciprocal discipline is predicated on his violation of 37 C.F.R. § 11.804(h), having been disciplined by a duly constituted authority of a state.

Background

On June 20, 2019, a “Notice and Order Pursuant to 37 C.F.R. § 11.24” (“Notice and Order”) was sent by certified mail (receipt no. 70172620000001057523) notifying Respondent that the Director of the Office of Enrollment and Discipline (“OED Director”) had filed a “Complaint for Reciprocal Discipline Pursuant to 37 C.F.R. § 11.24” (“Complaint”) requesting that the Director of the United States Patent and Trademark Office impose reciprocal discipline upon Respondent identical to the discipline imposed by the District of Columbia Court of Appeals in *In re Leslie Arnold Thompson*, No. 18-BG-508. The Notice and Order provided Respondent an opportunity to file, within forty (40) days, a response opposing the imposition of reciprocal discipline identical to that imposed by the District of Columbia Court of Appeals in *In re Leslie Arnold Thompson*, No. 18-BG-

508, based on one or more of the reasons provided in 37 C.F.R. § 11.24(d)(1). Respondent received the Notice and Order on June 24, 2019 but did not file a response.

Analysis

In light of Respondent's failure to file a response, it is hereby determined that there is no genuine issue of material fact under 37 C.F.R. § 11.24(d) and Respondent's suspension from the practice of patent, trademark and other non-patent law before the USPTO is the appropriate discipline.

ACCORDINGLY, it is hereby **ORDERED** that:

1. Respondent is suspended from the practice of patent, trademark, and other non-patent law before the USPTO for thirty (30) days, commencing on the date of this Final Order;
2. The OED Director publish the following Notice in the *Official Gazette*:

Notice of Suspension

This notice concerns Leslie A. Thompson of the District of Columbia, who is a registered patent attorney (Registration Number 54,584). In a reciprocal disciplinary proceeding, the Director of the United States Patent and Trademark Office ("USPTO") has ordered that Mr. Thompson be suspended for thirty days from practice before the USPTO in patent, trademark, and other non-patent matters for violating 37 C.F.R. § 11.804(h), predicated upon being suspended for thirty days from the practice of law by a duly constituted authority of a State.

On October 18, 2018, the District of Columbia Court of Appeals ordered that Mr. Thompson be suspended from the practice of law in the District of Columbia for thirty days, and his reinstatement be conditioned on a showing of fitness, based on the Board of Professional Responsibility findings that Mr. Thompson violated Rule 8.4(d) of the District of Columbia Rules of Professional Conduct and D.C. Bar R. XI, § 2(b)(3) because he "delayed in responding to Disciplinary Counsel's inquiry letter regarding a disciplinary complaint, failed to respond to a subpoena *duces tecum* for his client file and his financial records, and failed to comply with a [c]ourt order compelling him to respond to Disciplinary Counsel's subpoena." The underlying disciplinary complaint was based on a

complaint from Mr. Thompson's former client who alleged that after she paid Mr. Thompson his legal fees and filing fees to prepare and file a provisional patent application, Mr. Thompson did not file the application and stopped communicating with her.

This action is taken pursuant to the provisions of 35 U.S.C. § 32 and 37 C.F.R. § 11.24. Disciplinary decisions are available for public review at the Office of Enrollment and Discipline's FOIA Reading Room, located at: <http://e-foia.uspto.gov/Foia/OEDReadingRoom.jsp>;

3. The OED Director give notice pursuant to 37 C.F.R. § 11.59 of the public discipline and the reasons for the discipline to disciplinary enforcement agencies in the state(s) where Respondent is admitted to practice, to courts where Respondent is known to be admitted, and to the public.

4. Respondent shall comply with the duties enumerated in 37 C.F.R. § 11.58;

5. The USPTO dissociate Respondent's name from any Customer Numbers and the public key infrastructure ("PKI") certificate associated with those Customer Numbers; and

6. Respondent shall not apply for a USPTO Customer Number, shall not obtain a USPTO Customer Number, nor shall he have his name added to a USPTO Customer Number, unless and until he is reinstated to practice before the USPTO.

(Signature Page Follows- Final Order, Thompson, D2019-35)

(Signature Page for Final Order, Thompson, D2019-35)

8/23/19
Date

Kathryn Shender for
David M. Shewchuk
Deputy General Counsel for General Law
United States Patent and Trademark Office

on delegated authority by

Andrei T. Iancu
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE DIRECTOR
OF THE UNITED STATES PATENT AND TRADEMARK OFFICE**

In the Matter of)	
)	
David J. Furtado,	)	Proceeding No. D2019-49
)	
Respondent)	
_____)	

FINAL ORDER

The Director of the Office of Enrollment and Discipline (“OED Director”) for the United States Patent and Trademark Office (“USPTO” or “Office”) and David J. Furtado (“Respondent”) have submitted a Proposed Settlement Agreement (“Agreement”) to the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“USPTO Director”) for approval.

The Agreement, which resolves all disciplinary action by the USPTO arising from the stipulated facts set forth below, is hereby approved. This Final Order sets forth the parties’ stipulated facts, legal conclusion, and sanction.

Jurisdiction

1. At all times relevant hereto, Respondent of Denver, Colorado, has been a patent attorney registered to practice before the Office in patent matters (Registration No. 70,432) and is subject to the USPTO Rules of Professional Conduct, 37 C.F.R. §§ 11.101 through 11.901.

2. The USPTO Director has jurisdiction over this matter pursuant to 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19, 11.20, and 11.26.

Stipulated Facts

3. Respondent became registered as a patent attorney on October 31, 2012.

4. Respondent’s registration number is 70,432.

5. On November 2, 2015, the Presiding Disciplinary Judge of the Supreme Court of Colorado entered an order in *People v. David J. Furtado*, 15PDJ056 (Nov. 15, 2015) approving a

conditional admission of misconduct by Respondent (the "Order"). The Order imposed the sanction of a public censure upon Mr. Furtado.

6. A stipulation between Mr. Furtado and the Assistant Regulation Counsel for the Supreme Court of Colorado filed with the Presiding Disciplinary Judge of the Supreme Court of Colorado on November 2, 2015 (the "Stipulation") provides that Mr. Furtado was sanctioned for conduct which occurred in the course of his representation of two medical marijuana dispensaries which were operating legally in the State of Colorado.

7. The Stipulation provides that in order to assist the client dispensaries with paying certain bills, Mr. Furtado arranged for two client trust accounts to be opened at Wells Fargo bank.

8. The Stipulation provides that Mr. Furtado was aware that Wells Fargo did not permit marijuana-related businesses to maintain accounts at the bank.

9. The Stipulation provides that Mr. Furtado "violated his duty of candor" to Wells Fargo by not informing the bank that the accounts were opened on behalf of two marijuana dispensaries. As a result, Respondent stipulated that he violated Colorado Rule of Professional Conduct 8.4(c), which prohibits conduct involving dishonesty, fraud, deceit or misrepresentation.

Joint Legal Conclusion

10. Respondent acknowledges that, based on the information contained in the Stipulated Facts, above, Respondent's acts and omissions violated 37 C.F.R. § 11.804(h)(1) by being publicly disciplined on ethical or professional misconduct grounds by a duly constituted authority of a State.

Agreed Upon Sanction

11. Respondent agrees and it is hereby ORDERED that:

- a. Respondent is publicly censured;
- b. Nothing in the Agreement or the Final Order shall prevent the Office from considering the record of this disciplinary proceeding, including the Final Order: (1) when addressing any further complaint or evidence of the same or similar misconduct concerning Respondent brought to the attention of the Office; and/or (2) in any future disciplinary proceeding against Respondent (i) as an aggravating factor to be taken into consideration in determining any discipline to be imposed, and/or (ii) to rebut any statement or representation by or on Respondent's behalf;
- c. The OED Director shall electronically publish the Final Order at OED's electronic FOIA Reading Room, which is publicly accessible at <https://foiadocuments.uspto.gov/oed/>;

- d. The OED Director shall publish a notice in the *Official Gazette* that is materially consistent with the following:

Notice of Public Censure

This notice concerns Mr. David J. Furtado of Denver, Colorado, who is a registered practitioner (Registration No. 70,432). In settlement of a disciplinary proceeding, the Director of the United States Patent and Trademark Office ("USPTO" or "Office") has publicly censured Mr. Furtado for violating 37 C.F.R. § 11.804(h)(1) by being publicly disciplined on ethical or professional misconduct grounds by a duly constituted authority of a State.

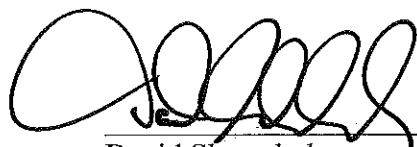
The public censure is predicated upon Mr. Furtado's discipline in the State of Colorado in *People v. David J. Furtado*, 15PDJ056 (Nov. 2, 2015). A stipulation between Mr. Furtado and the Assistant Regulation Counsel for the Supreme Court of Colorado (the "Stipulation") provides that Mr. Furtado was sanctioned for conduct which occurred in the course of his representation of two medical marijuana dispensaries which were operating legally in the State of Colorado. In order to assist the client dispensaries with paying certain bills, Mr. Furtado arranged for two client trust accounts to be opened at Wells Fargo bank. Mr. Furtado was aware that Wells Fargo did not permit marijuana-related businesses to maintain accounts at the bank.

The Stipulation provides that Mr. Furtado "violated his duty of candor" to Wells Fargo by not informing the bank that the accounts were opened on behalf of two marijuana dispensaries. As a result, Respondent stipulated that he violated Colorado Rule of Professional Conduct 8.4(c), which prohibits conduct involving dishonesty, fraud, deceit or misrepresentation.

This action is the result of a settlement agreement between Respondent and the OED Director pursuant to the provisions of 35 U.S.C. §§ 2(b)(2)(D) and 32 and 37 C.F.R. §§ 11.19, 11.20, and 11.26. Disciplinary decisions involving practitioners are posted for public reading at the OED Reading Room, available at: <https://foiadocuments.uspto.gov/oed/>;

- e. Respondent waives: (i) seeking reconsideration of the Final Order under 37 C.F.R. § 11.56, (ii) having the Final Order reviewed under 37 C.F.R. § 11.57, and (iii) otherwise appealing or challenging the Final Order in any manner; and
- f. The OED Director and Respondent shall each bear their own costs incurred to date and in carrying out the terms of the Agreement and this Final Order.

20 Sept 2019
Date


David Shewchuk
Deputy General Counsel

United States Patent and Trademark Office

on delegation by

Andrei Iancu

Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

cc:

OED Director

U.S. Patent and Trademark Office

Mr. David J. Furtado

c/o Mr. John Gleason

Burns, Figa & Will

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