

Post-Grant for Practitioners: Ethical Issues at the PTAB



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*Principal and Post-Grant
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Stuart Nelson
Principal

- How often? ... bi-monthly
- When? ... 2nd Wednesday
- Topics? ...
 - Important decisions
 - Developments
 - Practice tips
- Housekeeping
 - CLE
 - Questions
 - Materials
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Ethical Issues at the PTAB


At the Patent Trial and Appeal Board (PTAB) there are a number of ethical obligations for both parties and counsel in post-grant proceedings. In our webinar, Ethical Issues at the PTAB, [Dorothy Whelan](#) and [Stuart Nelson](#) will provide an overview of the requirements, including:

- The PTAB's rules of conduct
- Recent cases assessing allegations of misconduct and sanctions


They will also discuss recent PTAB and Federal Circuit decisions of interest to practitioners.
[Register](#) now for this Post-Grant for Practitioners Webinar.

Wednesday, May 10, 2017
1:00 PM - 2:00 PM EDT
Via the web

Speakers:



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REGISTER

Fish & Richardson will apply for 1.0 hour of ethics CLE credit in most states. If you would like to receive CLE credit, register with your state bar information.


If you have questions, please contact Lauren McGovern at mcgovern@fr.com




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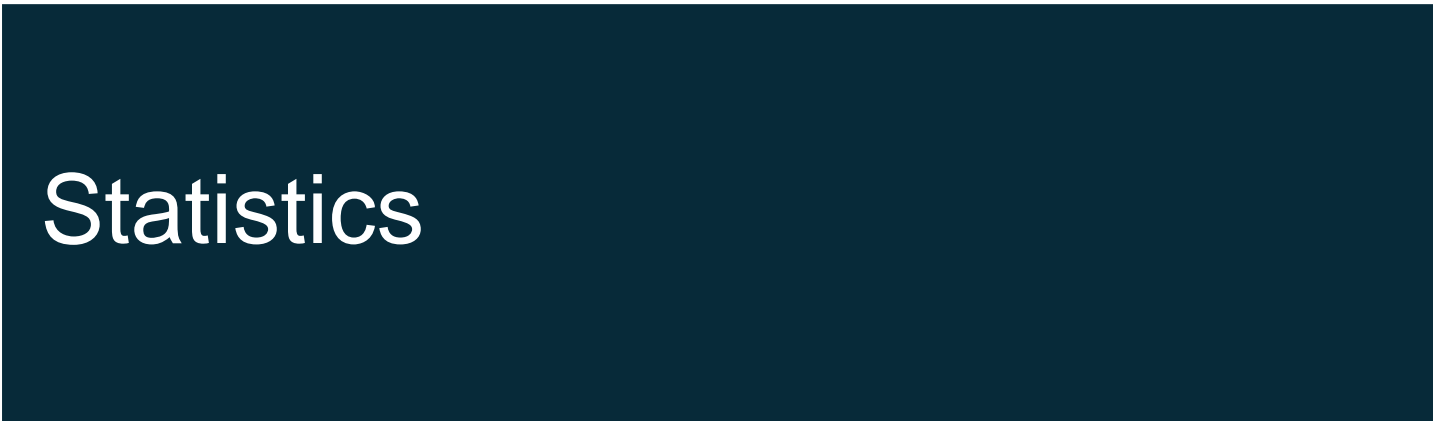


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Agenda

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- Statistics
- PTAB rules of conduct
- Recent cases assessing allegations of misconduct
- Recent PTAB and Federal Circuit decisions



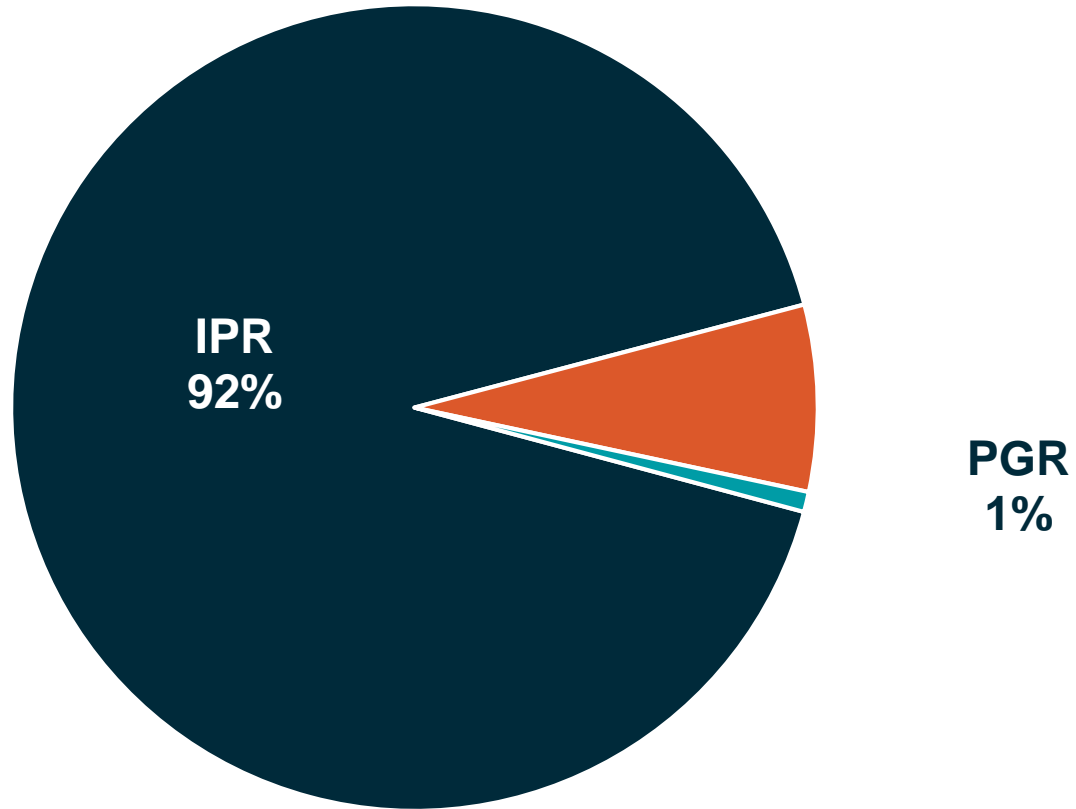
Statistics



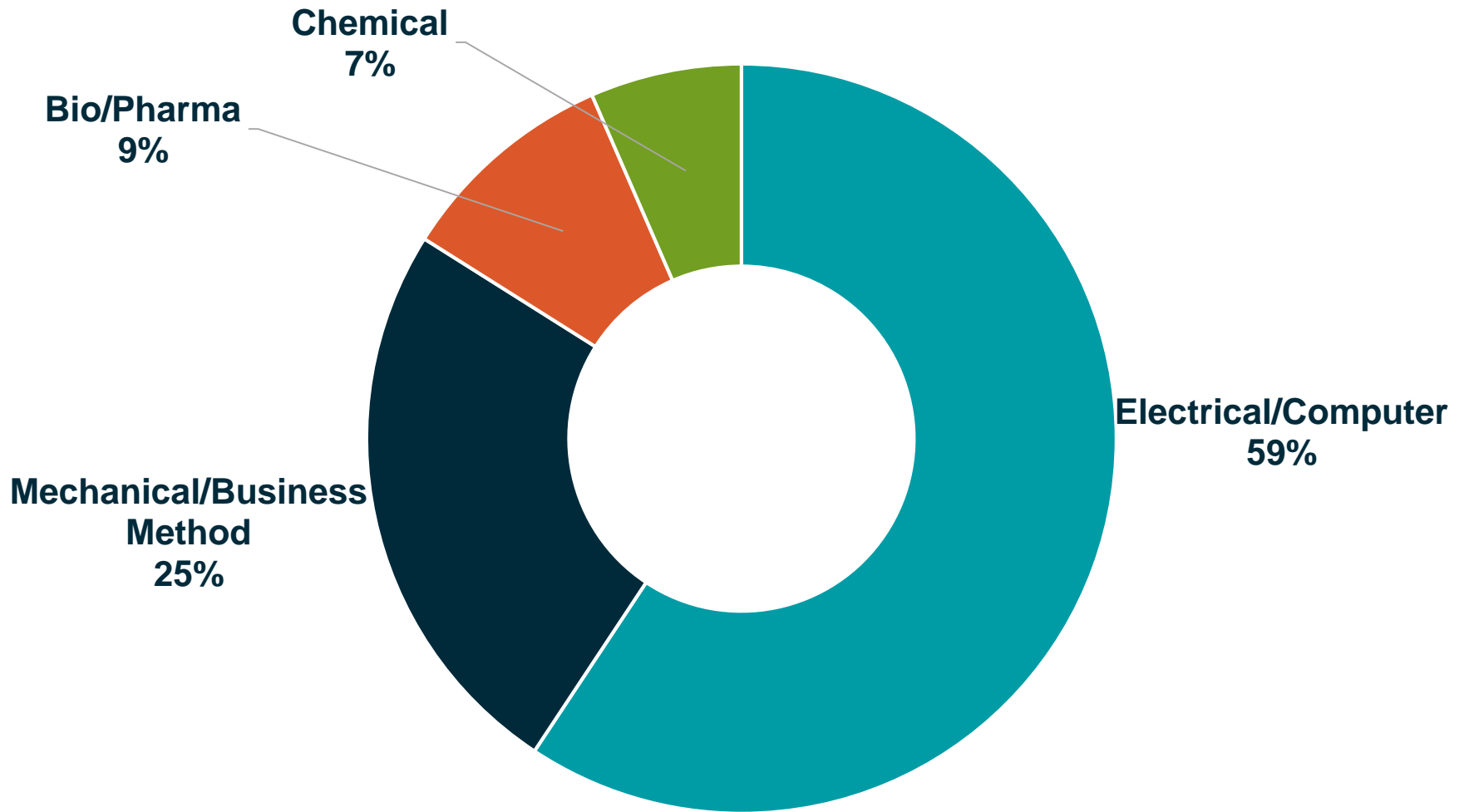
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Filings Continue to Exceed Expectations

**6,823 AIA
Petitions Filed
Since 2012**



Technology Breakdown by USPTO Tech Center (2012-Present)



Source: LexMachina, data current as of 5/8/2017; Design Patents make up <1% of remaining petitions



PTAB Rules of Conduct

Rules

- USPTO Rules of Professional Conduct
 - 37 CFR 11.1-11.901
 - Tracks the Model Rules of Professional Conduct of the American Bar Association
 - Applies to any practice before the Office, including any “proceeding before the Patent Trial and Appeal Board” [37 CFR 11.5(b)(1)]
- PTAB Rules
 - 37 CFR 42.11-42.12
 - Applies to “proceedings before the Patent Trial and Appeal Board” [37 CFR 42.1]

37 CFR 42.11 - Duty of candor; signing papers; representations to the Board; sanctions

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

(b) *Signature.* Every petition, response, written motion, and other paper filed in a proceeding must comply with the signature requirements set forth in §11.18(a) of this chapter. The Board may expunge any unsigned submission unless the omission is promptly corrected after being called to the counsel's or party's attention.

(c) *Representations to the Board.* By presenting to the Board a petition, response, written motion, or other paper—whether by signing, filing, submitting, or later advocating it—an attorney, registered practitioner, or unrepresented party attests to compliance with the certification requirements under §11.18(b)(2) of this chapter.

37 CFR 42.11 - Duty of candor; signing papers; representations to the Board; sanctions

(d) *Sanctions*—(1) *In general*. If, after notice and a reasonable opportunity to respond, the Board determines that paragraph (c) of this section has been violated, the Board may impose an appropriate sanction on any attorney, registered practitioner, or party that violated the rule or is responsible for the violation.

(2) *Motion for sanctions*. A motion for sanctions must be made separately from any other motion and must describe the specific conduct that allegedly violates paragraph (c) of this section. The motion must be authorized by the Board under §42.20 prior to filing the motion. At least 21 days prior to seeking authorization to file a motion for sanctions, the moving party must serve the other party with the proposed motion. A motion for sanctions must not be filed or be presented to the Board if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service of such motion or within another time the Board sets. If warranted, the Board may award to the prevailing party the reasonable expenses, including attorney's fees, incurred for the motion.

(3) *On the Board's initiative*. On its own, the Board may order an attorney, registered practitioner, or party to show cause why conduct specifically described in the order has not violated paragraph (c) of this section and why a specific sanction authorized by the Board should not be imposed.

(4) *Nature of a sanction*. 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.

(5) *Requirements for an order*. An order imposing a sanction must describe the sanctioned conduct and explain the basis for the sanction.

37 CFR 42.12(a) - Sanctions

(a) The Board may impose a sanction against a party for misconduct, including:

(1) Failure to comply with an applicable rule or order in the proceeding;

(2) Advancing a misleading or frivolous argument or request for relief;

(3) Misrepresentation of a fact;

(4) Engaging in dilatory tactics;

(5) Abuse of discovery;

(6) Abuse of process; or

(7) Any other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.

37 CFR 42.12(b) - Sanctions

(b) Sanctions include entry of one or more of the following:

(1) An order holding facts to have been established in the proceeding;

(2) An order expunging or precluding a party from filing a paper;

(3) An order precluding a party from presenting or contesting a particular issue;

(4) An order precluding a party from requesting, obtaining, or opposing discovery;

(5) An order excluding evidence;

(6) An order providing for compensatory expenses, including attorney fees;

(7) An order requiring terminal disclaimer of patent term; or

(8) Judgment in the trial or dismissal of the petition.



Misconduct Cases

Follow the Rules / Keep Mandatory Notices Updated

Atlanta Gas Light Co. v Bennett Regulatory Guards (IPR2015-00826, Paper 39)

Timeline:

- 2-27-2015 – IPR petition filed listing real parties-in-interest (RPI)
- 5-1-2016 – Oral hearing
- 7-1-2016 – Merger and name change by one company listed as an RPI
 - ***Mandatory notices were not updated to reflect RPI change***
- 8-20-2016 – Final written decision issues
- 9-20-2016 – Board orders Petitioner to update mandatory notices
- 9-23-2016 – Petitioner updates mandatory notices (*after* favorable final written decision)

Follow the Rules / Keep Mandatory Notices Updated

Atlanta Gas Light Co. v Bennett Regulatory Guards (IPR2015-00826, Paper 39)

“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.”

Follow the Rules / Keep Mandatory Notices Updated

Atlanta Gas Light Co. v Bennett Regulatory Guards (IPR2015-00826, Paper 39)

(1) Performed conduct that warrants a sanction?

- Yes – Failing to update the mandatory notices warranted a sanction

(2) The moving party has suffered harm?

- Yes – Patent Owner potentially lost chance to have estoppel applied if Patent Owner had prevailed

(3) The sanction requested is proportionate to the harm suffered?

- No for “termination with prejudice”
- Yes for “award cost and fees”

Do Not Disclose Confidential Information

RPX Corporation v. Applications In Internet Time, LLC (IPR2015-01750, Paper 58)

- Proceeding was governed by the “default protective order” which allows “Other Employees of a Party” to access confidential information “only upon agreement of the parties or by order of the Board”
- Patent Owner allowed access to Petitioner’s confidential information to:
 - 1) An attorney involved in a litigation with the same patent but a different defendant; and
 - 2) The CFO of a different NPE that was considered to be an “advisor”

Do Not Disclose Confidential Information

RPX Corporation v. Applications In Internet Time, LLC (IPR2015-01750, Paper 58)

- The Board found the protective order violation (along with other conduct) as sanctionable conduct

- Sanctions included:
 - 1) Payment of \$13,559.97 of attorney fees; and
 - 2) Declarations by both parties that received the confidential information:
 - A. Describing the precise scope of the all confidential information they received,
 - B. Explaining any use of that information to date,
 - C. Swearing not to use the information going forward, and
 - D. Swearing that the information has been destroyed.

Don't Argue Sanctions Without Authorization

Iron Dome LLC v. Chinook Licensing DE LLC (IPR2014-00674, Paper 7)

- In its Preliminary Response, the “Patent Owner argues that the PTAB may impose sanctions under 37 C.F.R. § 42.12(a)” requesting “that the Board use its discretion to dismiss the Petition and award Patent Owner attorney’s fees”
- This was improper, because: “A motion for sanctions based on alleged misconduct may not be filed without prior Board authorization. See 37 C.F.R. § 42.20(b).”
- The Board expunged the Preliminary Response and ordered the Patent Owner to file a Revised Preliminary Response “which deletes all assertions of intentional misconduct and any requests for imposition of sanction”

Motions for Sanctions Are Typically Denied

- Denied as moot when case is terminated (See e.g. *Atlanta Gas Light Company v. Bennett Regulator Guards, Inc.*, IPR2013-00453, Paper 88)
- Denied for failure to show harm (See e.g. *Google Inc. v. Performance Pricing Holdings*, CBM2016-00049, Paper 23)
- Denied as untimely – too early to determine if sanctionable conduct occurred (See e.g. *Google Inc. v. Patrick Zuili*, CBM2016-00021, Paper 25)
- Denied as untimely – too late (See *Akamai Tech., Inc. v. Limelight Networks, Inc.*, IPR2016-01001, Paper 6)



Recent PTAB & Fed. Cir.
Decisions

- Federal Circuit affirms PTAB decisions in IPRs finding claims unpatentable as obvious.
- Delaware District Court had previously held that the same claims were not obvious and Federal Circuit had affirmed that decision.

- Novartis argued that the “same” arguments and the “same” evidence were presented in both the PTAB and the district court.
- The Federal Circuit disagreed, noting that Noven (the challenger) submitted additional declarations not of record in the district court case:

“It is unsurprising that different records may lead to different findings and conclusions.” Slip op. at 7.

- The Federal Circuit then went a step further and stated: “Nevertheless, even if the record were the same, Novartis’s argument would fail as a matter of law.” Slip op. at 7.
- The Federal Circuit reasoned that the different burdens of proof in the PTAB vs. district court meant that “the PTAB properly may reach a different conclusion based on the same evidence.” Slip op. at 7-8.
- The Federal Circuit also noted that the prior district court decisions did not bind the PTAB. Slip op. at 8.

- Novartis argued that the Federal Circuit’s *Baxter* decision (*In re Baxter Int’l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012) required that the PTAB and district court decisions be the same. The Federal Circuit disagreed:

“Finally, *Baxter* does not necessitate a different conclusion. There, we stated that the USPTO ‘ideally should not arrive at a different conclusion’ if it faces the same evidence and argument as a district court Novartis treats ‘ideally’ in that passage as a mandate However, the context in which that passage appears demonstrates that we used ‘ideally’ to connote aspiration and, in fact, recognized that Congress has provided a separate review mechanism before the USPTO with its own standards We will not imbue *Baxter* with a meaning that the decision itself does not support.”

Slip op. at 8-9.



Post-Grant Resources

- Fish websites:
 - Post-Grant for Practitioners: <http://fishpostgrant.com/webinars/>
 - General: <http://fishpostgrant.com/>
 - IPR: <http://fishpostgrant.com/inter-partes-review/>
 - PGR: <http://fishpostgrant.com/post-grant-review/>
 - Rules governing post-grant: <http://fishpostgrant.com/>
 - Post-Grant App: <http://fishpostgrant.com/app/>
 - Post-Grant Radio: <http://fishpostgrant.com/podcasts/>
- USPTO sites:
 - AIA Main: http://www.uspto.gov/aia_implementation/index.jsp
 - *Inter Partes*: http://www.uspto.gov/aia_implementation/bpai.jsp

Mark your Calendar!

Our next Post-Grant for Practitioners webinar will be on

Wednesday, July 12, 2017 (1:00PM – 2:00PM ET)

Thank You!

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Please send your NY CLE forms or questions about the webinar to Lauren McGovern at mcgovern@fr.com

A replay of the webinar will be available for viewing at <http://www.fishpostgrant.com/webinars>

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