HOW PROSECUTION BARS, IPRs, AND THE DIFFERENT DUTIES OF CANDOR CREATE TRAPS FOR EVERYBODY

Prof. David Hricik, Mercer University School of Law

William Covey, Deputy General Counsel and Director of the Office of Enrollment and Discipline at United States Patent and Trademark Office

Moderator: **Eleanor M. Yost**, Shareholder, Carlton Fields

ETHICS RULES

USPTO Rules of Professional Conduct	PTAB Rules
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)	37 CFR 42.11-42.12 Applies to "proceedings before the Patent Trial and Appeal Board" --37 CFR 42.1

PRACTITIONER'S DUTIES

General Duties

A practitioner shall not bring or defend a proceeding, or assert or controvert an issue therein, unless there is a basis in law and fact for doing so that is not frivolous, which includes a good-faith argument for an extension, modification or reversal of existing law.

--§ 11.301 Meritorious claims and contentions (78 FR 20179); *see also* Rule 3.1 ABA Model Rules of Professional Conduct

In a proceeding before the Office, a practitioner shall disclose to the Office information necessary to comply with applicable duty of disclosure provisions.

--§ 11.303(e) Candor toward the tribunal; *see also* Rule 3.3 ABA Model Rules of Professional Conduct

"Rule 11"-Type Investigation

Signature certifies, ***based on reasonable investigation***, that:

- statements made on own knowledge are true and statements made on information and belief are believed to be true;
- allegations/factual contentions have evidentiary support;
- legal contentions are warranted by existing law or a nonfrivolous argument to change it;
- no improper purpose.

--§11.18(a) Signature and certificate for correspondence filed in the Office; 37 C.F.R. § 42.11 (applicable to IPRs); see *also* Fed. R. Civ. P. 11

	Who?	What?
Prosecution	inventor(s), practitioner(s), those substantively involved in prosecution --37 CFR 1.56(a)	*prima facie* case of unpatentability of a claim --37 CFR 1.56(b)(1) refutes, or is inconsistent with, a position the applicant takes --37 CFR 1.56(b)(2)
IPRs, generally	parties, individuals "involved in" the proceeding --37 CFR § 42.11	"General duty of candor and good faith," presumably limited to two items below.
Filing document in IPR	Inventors, corporate officers, and persons involved in preparing or filing documents or things in the IPR	Inconsistent statement --Trial Rules, 77 Fed. Reg. at 48,639 ("The term 'inconsistent statement' is one that is well-recognized in the field, as it appears in the Federal Rules of Evidence, which will have general applicability to the proceedings (see 37 C.FR. § 42.62). For example, FRE 613 and 806 permit courts to admit evidence of a 'declarant's inconsistent statement or conduct.'").
Substitute claims	Rule: "Parties and individuals involved" *MasterImage 3D*: "the patent owner" --*MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, Paper 42 (PTAB July 15, 2015)	*MasterImage 3D*: info showing no patentable distinction, over (a) "prior art known to the patent owner" and (b) "prior art of record," which includes material art in prosecution history; in the current proceeding, including art asserted in grounds on which the Board did not institute review; and, any

WHO IS SUBJECT TO A GENERAL DUTY OF CANDOR? PROSECUTION v. IPR

Parties

Inventor, practitioner, & those substantively involved in prosecution

Persons involved in proceeding

THERASENSE

	Who?	What?
Enforceability	Inventor, practitioner, those substantively involved	But-for material and no affirmative egregious misconduct

--Therasense, Inc. v. Becton, Dickinson and Co., 649 F.3d 1276, 1287 (Fed. Cir. 2011)

THE ACTORS

Bepsi Co.

Wally Harris, CEO

Pete, Pat & Jones, LLP

- Pete the Patent Agent
- Pat the Patent Litigator
- Everyone Associated with Customer No. 123456
- Hricik
- Yost

Kola Koka Co.

Bepsi's arch rival

SCENARIO ONE

Pete the Patent Agent files a patent application for **Bepsi** on a new bottle.

- After three years, Pete receives a Notice of Allowance.
- But, that same day, a third party in a related case submits information that, while not *but-for* material, is inconsistent with position he took during prosecution.

Standard: Under Rule 1.56, every person substantively involved in prosecution must disclose information known to be "material" to patentability, which includes information that would result in denial of a claim as well as information inconsistent with a position taken during prosecution.

SCENARIO ONE – POLL 1

Pete the Patent Agent files a patent application for **Bepsi** on a new bottle.

- After three years, Pete receives a Notice of Allowance.
- But, that same day, a third party in a related case submits information that, while not *but-for* material, is inconsistent with position he took during prosecution.

Standard: Under Rule 1.56, every person substantively involved in prosecution must disclose information known to be "material" to patentability, which includes information that would result in denial of a claim as well as information inconsistent with a position taken during prosecution.

Question #1:

Suppose Pete calls the examiner, discusses the issue, and asks "what should I do"? Is this sufficient to comply with Rule 56?

YES

NO

SCENARIO ONE – POLL 2

Pete the Patent Agent files a patent application for **Bepsi** on a new bottle.

- After three years, Pete receives a Notice of Allowance.
- But, that same day, a third party in a related case submits information that, while not *but-for* material, is inconsistent with position he took during prosecution.

Standard: Under Rule 1.56, every person substantively involved in prosecution must disclose information known to be "material" to patentability, which includes information that would result in denial of a claim as well as information inconsistent with a position taken during prosecution.

Question #2:

If Pete wants to disclose this information, is there a viable alternative to delaying issuance through an RCE?

YES

NO

SCENARIO ONE – POLL 3

Pete the Patent Agent files a patent application for **Bepsi** on a new bottle.

- After three years, Pete receives a Notice of Allowance.
- But, that same day, a third party in a related case submits information that, while not *but-for* material, is inconsistent with position he took during prosecution.

Standard: Under Rule 1.56, every person substantively involved in prosecution must disclose information known to be "material" to patentability, which includes information that would result in denial of a claim as well as information inconsistent with a position taken during prosecution.

Question #3:

Given that *Therasense* generally narrows materiality to "but-for" material, is Pete required to disclose?

YES

NO

SCENARIO ONE – POLL 4

Pete the Patent Agent files a patent application for **Bepsi** on a new bottle.

- After three years, Pete receives a Notice of Allowance.
- But, that same day, a third party in a related case submits information that, while not *but-for* material, is inconsistent with position he took during prosecution.

Standard: Under Rule 1.56, every person substantively involved in prosecution must disclose information known to be "material" to patentability, which includes information that would result in denial of a claim as well as information inconsistent with a position taken during prosecution.

Question #4:

The USPTO has proposed changing Rule 56 to "match" *Therasense*, is that happening?

YES

NO

SCENARIO ONE
TECHNICAL COMPETENCE

Pete the Patent Agent sets aside time while travelling for business to look at the third party submissions (he's not in the office).

What if Pete isn't adept at using his firm's VPN access (or even PAIR) and isn't able to access the third party submission.

He knows something was submitted, but he isn't able to look at it and therefore never evaluates it for submission to the PTO in the new Bepsi bottle. When he returns to the office, he forgets to follow-up and evaluate the third party submissions.

Is this an issue?

SCENARIO ONE – RULE 56

USPTO's proposal to revise Rule 56 to match *Therasense*

- The USPTO proposed to revise Rule 56 to provide that information is material to patentability if it falls under the "but-for-plus" test of *Therasense*.

> "Information is but-for material to patentability if the Office would not allow a claim if the Office were aware of the information, applying the preponderance of the evidence standard and giving the claim its broadest reasonable construction consistent with the specification."

SCENARIO TWO – POLL 5

Pete the Patent Agent doesn't disclose and a patent issues as the '123 Patent.

- Pete files and continues to prosecute a CON.

- **Question #5**:

If the information Pete learned just before the '123 Patent was allowed becomes material to the CON, should Pete disclose it?

YES

NO

SCENARIO TWO – POLL 6

Pete the Patent Agent doesn't disclose and a patent issues as the '123 Patent.

- Pete files and continues to prosecute a CON.

Question #6:

If Pete does not disclose it, should he memorialize his thoughts?

YES

NO

SCENARIO TWO

Pete the Patent Agent doesn't disclose and a patent issues as the '123 Patent.

- Pete files and continues to prosecute a CON.

- Bepsi sues Kola-Koka Co. for infringing the '123 Patent.
  - Hricik & Yost represent Bepsi in suit.

- Kola-Koka does not want to disclose its highly confidential information to a competitor or the law firm prosecuting patents for it.

- Kola-Koka proposes a **prosecution bar**: anyone who is provided access to Kola-Koka's highly confidential info cannot engage in "competitive decision making," which includes prosecution and is defined to include IPRs.

HRICIK MANAGES THE BAR

No Access to Kola-Koka's Highly Confidential Info Can Prosecute	Access to Kola-Koka's Highly Confidential Info No Prosecution
Pete	Hricik Yost Harris

KOLA-KOKA'S PRIOR USE – POLL 7

In an IPR interrogatory answer marked "highly confidential," Kola-Koka states that it sold an anticipating bottle more than one year before the critical date of the '123 Patent.

Hricik shares the information with Harris, but not Pete.

Question #7:

Is Hricik "substantively involved" in prosecution of the CON and so within Rule 56?

YES

NO

SCENARIO TWO
TECHNICAL COMPETENCE

What if Kola-Koka also provides non-confidential information that may be material to the continuation application?

Hricik receives the information from co-counsel Yost as an attachment to an email with the subject line "interrogatory answer."

Hricik believes that this is the confidential information and therefore fails to open the attachment. As a result, he fails to forward the non-confidential information to prosecution counsel (Pete).

Is this an issue?

SCENARIO TWO
TECHNICAL COMPETENCE

When identifying "involved" parties, should the attorney sift through relevant email threads to see who was copied and therefore who may have additional relevant information?

What about BCC'd people?

SCENARIO THREE

Kola-Koka successfully seeks institution in an IPR based upon two grounds (not a bottle, that doesn't count!):

(1) the Sprite '456 Patent anticipates, and

(2) the Sprite '456 Patent and another reference renders the Bepsi patent obvious.

Only Pete represents Bepsi in the IPR.

Assume that the existence of the anticipatory bottle is inconsistent with arguing the claims in the CON are not obvious, but Pete doesn't know about it, and so he argues against obviousness.

SCENARIO THREE – POLL 8

Kola-Koka successfully seeks institution in an IPR based upon two grounds (not a bottle, that doesn't count!):

(1) the Sprite '456 Patent anticipates, and

(2) the Sprite '456 Patent and another reference renders the Bepsi patent obvious.

Only Pete represents Bepsi in the IPR.

Assume that the existence of the anticipatory bottle is inconsistent with arguing the claims in the CON are not obvious, but Pete doesn't know about it, and so he argues against obviousness.

Question #8:

Must Pete disclose to the examiner in the CON the Sprite '456 patent and the other reference, and the decision to institute?

YES

NO

SCENARIO THREE – POLL 9

Kola-Koka successfully seeks institution in an IPR based upon two grounds (not a bottle, that doesn't count!):

(1) the Sprite '456 Patent anticipates, and

(2) the Sprite '456 Patent and another reference renders the Bepsi patent obvious.

Only Pete represents Bepsi in the IPR.

Assume that the existence of the anticipatory bottle is inconsistent with arguing the claims in the CON are not obvious, but Pete doesn't know about it, and so he argues against obviousness.

Question #9:

Does Harris's knowledge count since "parties" have to disclose in IPR and she is Bepsi's CEO?

YES

NO

SCENARIO THREE – POLL 10

Kola-Koka successfully seeks institution in an IPR based upon two grounds (not a bottle, that doesn't count!):

(1) the Sprite '456 Patent anticipates, and

(2) the Sprite '456 Patent and another reference renders the Bepsi patent obvious.

Only Pete represents Bepsi in the IPR.

Assume that the existence of the anticipatory bottle is inconsistent with arguing the claims in the CON are not obvious, but Pete doesn't know about it, and so he argues against obviousness.

Question #10:

Is Hricik "involved in the" IPR so that his knowledge counts?

YES

NO

SCENARIO THREE – POLL 11

Kola-Koka successfully seeks institution in an IPR based upon two grounds (not a bottle, that doesn't count!):

(1) the Sprite '456 Patent anticipates, and

(2) the Sprite '456 Patent and another reference renders the Bepsi patent obvious.

Only Pete represents Bepsi in the IPR.

Assume that the existence of the anticipatory bottle is inconsistent with arguing the claims in the CON are not obvious, but Pete doesn't know about it, and so he argues against obviousness.

Question #11:

In light of the obligation to disclose inconsistent information, must Harris disclose?

YES

NO

SCENARIO THREE – POLL 12

Kola-Koka successfully seeks institution in an IPR based upon two grounds (not a bottle, that doesn't count!):

(1) the Sprite '456 Patent anticipates, and

(2) the Sprite '456 Patent and another reference renders the Bepsi patent obvious.

Only Pete represents Bepsi in the IPR.

Assume that the existence of the anticipatory bottle is inconsistent with arguing the claims in the CON are not obvious, but Pete doesn't know about it, and so he argues against obviousness.

Question #12:

In light of his "Rule 11" type duty to investigate, must Pete talk to Harris or Hricik?

YES

NO

SCENARIO FOUR

Bepsi instructs Pete to propose substitute claims for the '123 Patent to avoid the Sprite '456 Patent.

Again, Pete does not know of the bottle, but Harris and Hricik do.

SCENARIO FOUR – POLL 13

Bepsi instructs Pete to propose substitute claims for the '123 Patent to avoid the Sprite '456 Patent. Again, Pete does not know of the bottle, but Harris and Hricik do.

Question #13:

Doesn't the knowledge of Harris or Hricik of the anticipatory bottle now have to be disclosed?

YES

NO

SCENARIO FOUR – POLL 14

- Bepsi instructs Pete to propose substitute claims for the '123 Patent to avoid the Sprite '456 Patent.
- Again, Pete does not know of the bottle, but Harris and Hricik do.

Question #14:

Does Pete's duty to investigate before arguing for patentability of the substitute claims require talking to Harris, or Hricik?

YES

NO

SCENARIO FOUR – POLL 15

- Bepsi instructs Pete to propose substitute claims for the '123 Patent to avoid the Sprite '456 Patent.
- Again, Pete does not know of the bottle, but Harris and Hricik do.

Question #15:

Doesn't the knowledge of Harris or Hricik of the anticipatory bottle now have to be disclosed?

YES

NO

SCENARIO FOUR

Bepsi instructs Pete to propose substitute claims for the '123 Patent to avoid the Sprite '456 Patent.

Again, Pete does not know of the bottle, but Harris and Hricik do.

Question #16:

What should protective orders with prosecution bars say?

SCENARIO FOUR
TECHNICAL COMPETENCE

In the course of instructing Pete to propose substitute claims, multiple preliminary versions of the draft claims were exchanged between Pete and Bepsi via email. Pete receives the "go-ahead" to submit the final version of the claims in the IPR. However, he mistakes an earlier draft of the claims for the final version and submits them to the PTAB.

Now what?

THANK YOU