Ethics Potpourri

David Hricik
Professor and Dean of Faculty Research & Development,
Mercer Law School

Overview:
Paper Covers More Than This Talk Will

- Implied Attorney-Client Relationships: Three recurring fact patterns.
- 2 A Quick Reminder of the e-Signature Rules.
- Competently Considering Patenting in an Age of Accelerated Innovation and Hostility to Patents.
- Inequitable Conduct Lives!

Choice of Law for Ethics

- Rules vary in text and/or interpretation, and PTO construes its reach broadly.
- On today's issues, approaches are generally consistent but some rules require informed consent to a conflict be *in writing*, not merely confirmed in writing as PTO rules do.
- In some circuits, even if district court local rules adopt state rules they do not control, and a lawyer can be disqualified even if conduct is ethical under state rules. (5th, 10th)
- Some courts take very strict view of conflicts, others deny disqualification unless the conflict "taints" a proceeding.

Big Picture: Each Client Limits a Firm's Ability to Represent Other Clients

- Generally, absent informed consent confirmed in writing, a lawyer in a firm:
  - Cannot represent a client in a matter adverse to a current client of the firm, even if unrelated;
  - Cannot represent another client adverse to former client of the firm in a substantially related matter;
  - Cannot represent another client if lawyer's obligations to anyone materially limit the lawyer's representation of that client.

The Impact on New Business of…. Having Business

- Firm can't clear conflicts (is the opponent a former client or not?) so either turns down matter or client, uncertain of whether firm will be disqualified, goes elsewhere.
- Client is angered when it sees your firm do something it believes is disloyal and goes somewhere else for existing or future work.
- Firm wants to sue a former client for fees:
  - Sends demand letter;
  - Former client points out conflict (or other alleged malpractice); and so
  - Firm foregoes collection because in many states *even an undamaged client* can sue for a serious conflict of interest: remedy is fee disgorgement!

What to do

- Identify ending event in engagement letter ("this engagement will end upon issuance of any application claiming priority to this application.")
- Close files.
- Send "that was great and we'd be happy to represent you again someday" emails.
- Stay current on AR (so you don't have to demand fees).
- Just say no:
  - Red flag: you're going to be their 2d, 3d, *etc*… lawyer.
  - Red flag: big client promises lots of work and gives you one small job.

Implied Client Relationships: When Two is a Crowd

- Three recurring examples where firms thought they had one client, but courts imply *additional* attorney-client relationship:
  - Inventors, not just an employer: and so firm had a conflict while representing both and/or cannot represent employer in dispute between them;
  - Affiliate, not just "real" corporate client: affiliate argues it is/was *also* a client, and so firm can't sue it;
  - Other party to a shared prosecution contract, not just client: other party argues it is/was also a client, and so firm had conflict while representing both can't represent "the" client in dispute between them.

More Than One Client: Inventors

- You represented employer during prosecution and now dispute exists with inventor.
  - Inventor moves to DQ, asserting she is/was also a client
    - If *is* a client, can't be adverse; if *was* a client, can't be adverse in the matter in which you represented her.
  - Generally, courts hold inventor-employees are not clients, but be careful:
    - Strategic behavior (DQ firm from representing employer); or
    - Actual misunderstanding of your role (*e.g.*, POA).

What to do

- Provide "Civil *Miranda*."
- Spot and correct misunderstandings.
- Red flag: founders/promotors.
- Red flag: inventors without clear obligations to assign.

Affiliates of Entity-Clients

- You sue a corporate affiliate of a current or former client.
  - Affiliate moves to disqualify, asserting it is a client "too" (and so you may not be adverse at all) or if your representation of the "real" client is over, that the affiliate is *also* a former client and suit is substantially related to the firm's prior work.
  - How do courts determine if a firm representing one entity by implication represents (or represented) an affiliate?

One Client Too Many?

- Courts (*e.g.*, CAFC) apply multi-factor murky test to determine if representing one entity means representing others:
  - overlap in personnel / infrastructure; sharing of same officers / directors / management; share the same legal department; share substantial number of corporate services; integration of infrastructure (*e.g.*, computer networks, email, intranet, health benefits, letterhead, *etc*.)
- So, there is *uncertainty* if you leave client identity to courts:
  - Both lawyer and client may be unhappy: a firm representing a small part of a large corporation, *may* be giving up a lot of business; in-house counsel may be expecting more loyalty than those factors will support.

What to do: Corporate Client Identity

- "By representing the Company, we do not represent any of its officers, directors, parents, subsidiaries, or affiliates."
- "We will not accept an engagement that is directly adverse to the Company and we will not accept an engagement that is directly adverse to the Company or any of its parents, subsidiaries, or affiliates if either: (1) it would be substantially related to the subject matter of our representation of the Company; or (2) it would impair the confidentiality confidential information conveyed to us by the Company."
- Red flag: if you have a "battle of forms," courts likely to side with client and you have a business decision to make.

This Common Clause Causes Implied Relationships

- You're counsel (in-house or outside) for Client A.
- You're prosecuting applications for Client A.
- Client A & Party B have a shared prosecution agreement (joint development; license; other forms) which has this clause:
  - "Client A shall manage and have the primary responsibility to file, prosecute, and maintain the patent applications, but Party B shall have reasonable opportunity to comment and advise on office actions, prosecution, and other filings."
- Party B has its own lawyers representing it.

You Do Your Job

- You send Party B's lawyers emails and updates, as required, and often you label them "privileged and confidential."
  - Normally, a communication with non-client or its lawyers would not be privileged, but the *common interest privilege* allows for privileged communications to be shared with non-client if non-client shares a common "legal" interest.
- All is good.

What's Everyone's(?) Goal?

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You file response

But then one day….

- You see Party B has done something "wrong."
- Example: an app publishes that, you think, claims subject matter that rightfully belongs to your client (or the joint effort), but app names only Party B inventors.

Suppose…

- You take corrective action at USPTO.
  - But then… Party B sues you for breach of fiduciary duty because, it says, you also represented it, not just Client A (and so acted adversely to it at USPTO). *See Max-Planck v. Wolf Greenfield.*
- You represent Client A in the suit with Party B.
  - But then… Party B moves to disqualify you because, it says, you were also Party B's lawyers (and so are now adverse to it in a substantially related matter). *See id.*
- In both, you object to producing communications with your client.
  - But then… Party B moves to compel, saying you had jointly represented it and Client A (and there is no privilege among joint clients). *See DePuy Hospital*.

DePuy Ortho. v. Ortho. Hosp.

- In-house lawyer of Client DePuy.
- Client DePuy has joint development agreement with Party Ortho.
- Client DePuy's in-house lawyer prosecutes applications.
- Dispute develops, and Party Ortho moves to compel all communications between DePuy and its in-house lawyer about prosecution.
- Client DePuy argues there is a common interest privilege, but its in-house counsel never represented Party Ortho, so not joint clients.
- Court: DePuy's in-house lawyer represented both it and Party Ortho as joint clients, and so no privilege between them…

What's that mean?

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You file response

What to do: Shared Prosecution Clauses

- In future agreements ensure clause states the parties intend for a common interest privilege, but lawyers don't represent other side.
- In existing relationships….?
- In every relationship: watch for confusion as to your client and take reasonable opportunities to dispel it.
- Red flag: Party B is not represented at all in the prosecution, and especially if it is an unsophisticated individual.
- Red flag: your firm represents Party B in *other* matters.

The e-Signature Requirement

37 C.F.R. § 1.4(d)(4)(ii) (emph. added) provides:

> (ii) *The person inserting a signature… in a document… certifies that the inserted signature appearing in the document is his or her own signature.* A person submitting a document signed by another… is obligated to have a reasonable basis to believe that the person whose signature is present on the document was actually inserted by that person, and should retain evidence of authenticity of the signature. *Violations… may result in the imposition of sanctions...*

The USPTO Said the Regulation Means What it Says

> Section 1.4(d)(2)(i) requires that a person, which includes a practitioner, must insert his or her own signature using letters and/or Arabic numerals, with appropriate commas, periods, apostrophes, or hyphens as punctuation and spaces. The "must insert his or her own signature" requirement is met by the signer directly typing his or her own signature on a keyboard. *The requirement does not permit one person (e.g., a secretary) to type in the signature of a second person (e.g., a practitioner) even if the second person directs the first person to do so.* A person physically unable to use a keyboard, however, may, while simultaneously reviewing the document for signature, direct another person to press the appropriate keys to form the S-signature.

69 FR 56482, 56485 (Sept. 21, 2004) (emph. added).

The MPEP Says the Regulation Means What it Says

> [T]he rules of submitting correspondence including electronic signatures to the USPTO require that the signer of the correspondence insert his/her own signature onto the document to be submitted, after the document has been completed. Thus, *support staff preparing draft documents for review and approval by a registered patent practitioner should not insert the registered patent practitioner's signature into the prepared draft document…*

MPEP Section 502.02(II) (emph. added).

The Possible Sanctions

Sections 11.18(c) permits discipline and (d) permits these additional actions:

(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.

What to do

- Educate practitioners and support counsel on the requirements.
- MPEP suggests that completed forms include "a blank, a placeholder (e.g., /draft/), or other designation in place of the patent practitioner's signature, to be replaced by the patent practitioner physically typing his/her own signature into the document after the document is complete and prior to submission to the USPTO." MPEP in Section 502.02(II).
- Regulation states person filing a document "signed" by another must reasonably believe she did so and "should retain evidence of authenticity of the signature."

Competently Considering Patenting in an Age of Accelerated Innovation

1. Law from the Supreme Court and Congress have devalued patents
2. Technology has devalued patents through (a) shorter product life cycles and shorter time-to-market for copying and (b) 3D printers.
3. What can you do about all of this – now.

Why do People get Patents?

- 90% of patents go to businesses.
- Study on why businesses get patents and why they don't:
  - Get them because: earn revenue; defensive; trophy effect; block competitors.
  - They don't get them because:
    - Uncertainty over whether invention is patentable;
    - Prosecution and litigation are expensive;
    - Claims can be designed around;
    - The patent must teach how to make/use the invention, and that can require disclosure of proprietary info; and
    - There are other forms of protection (primarily, trade secrets).

For Decades: Increasing Reasons to Patent

- 1982: Federal Circuit formed with charge to strengthen patent laws, and SCOTUS decided very few patents cases until this century.
- SCOTUS: This century, with few (mostly marginal) exceptions, SCOTUS has reversed the Federal Circuit to adopt a rule less favorable to patentees.

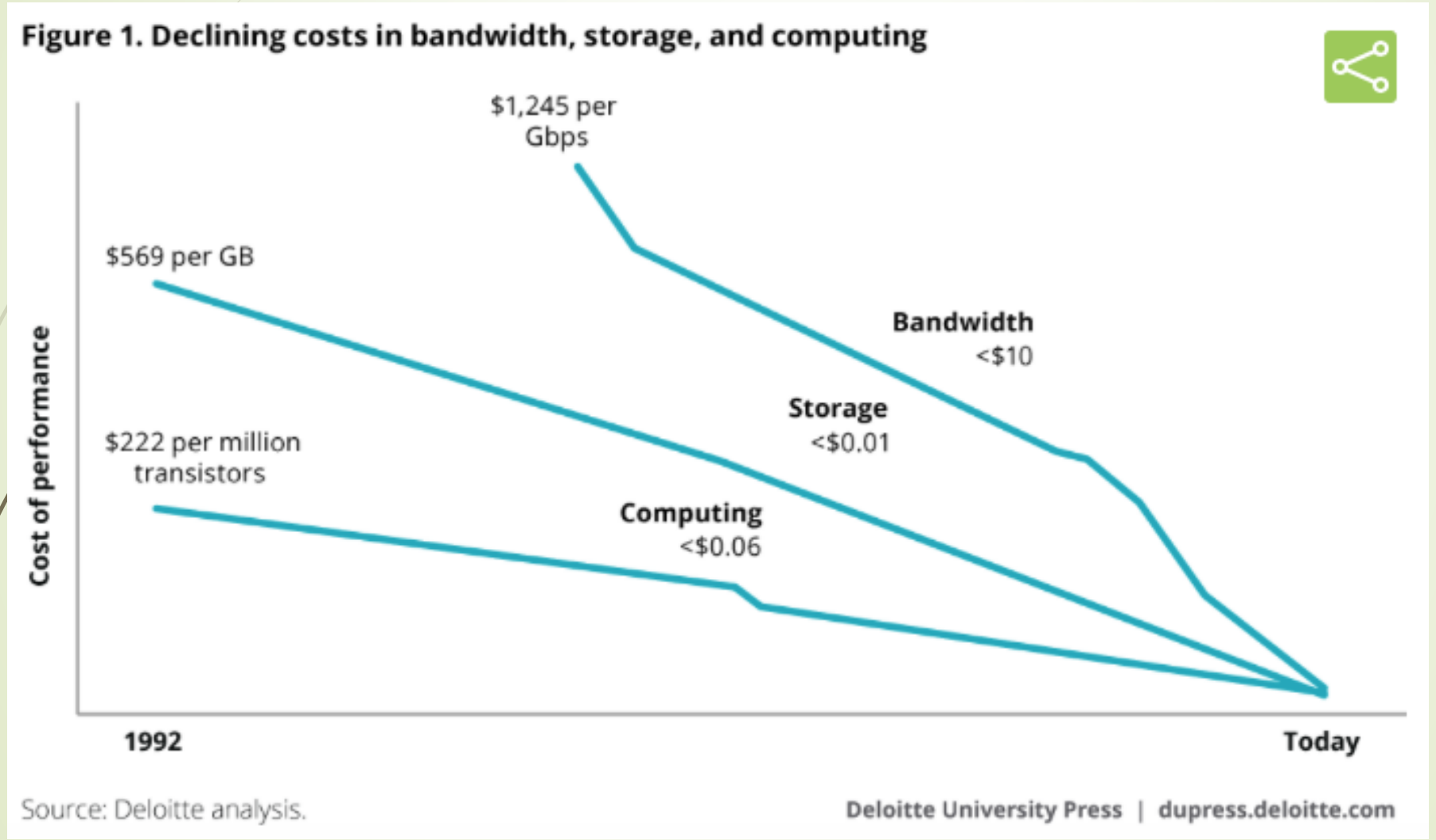
1. SCOTUS: Anyone See a Trend?

- 2002: *Festo* (reverses CAFC and adopts a rule that makes it harder to prove infringement)
- 2006: *eBay* (reverses "general rule" of CAFC that a patentee can enjoin infringement)
- 2007: *KSR* (makes it harder to obtain a patent and easier to show one is invalid); *Medimmune* (easier to challenge patents); *Microsoft* (narrows scope of infringement)
- 2008: *Quanta* (makes it easier to "exhaust" patent rights and so harder to show infringement)
- 2011: *Globaltech* (makes it harder to show infringement)
- 2012: *Mayo* (makes it harder to obtain a patent and easier to show one is invalid)
- 2013 *Myriad* (same as above)
- 2014: *Limelight* (harder to show infringement); *Alice (*same as *Mayo & Myriad)* ; *Octane* (easier for courts to force loser to pay winner's attorneys' fees); *Nautilus* (harder to obtain a patent, easier to show one is invalid and harder to show infringement).
- 2017: *TC Heartland* (reverses CAFC and makes it harder to establish venue) (amplifying narrowing to personal jurisdiction).

Congress Joins In

- September 2012: IPRs began as part of the AIA.
  - No presumption of validity, preponderant evidence, and (then) BRI not *Philips*.
  - Stays of litigation common.
  - Added cost, risk to patentee.
- May 2016: Defend Trade Secrets Act.

2. Technology makes innovation faster and that devalues patents



Technology Means Faster Innovation… and Faster Infringement

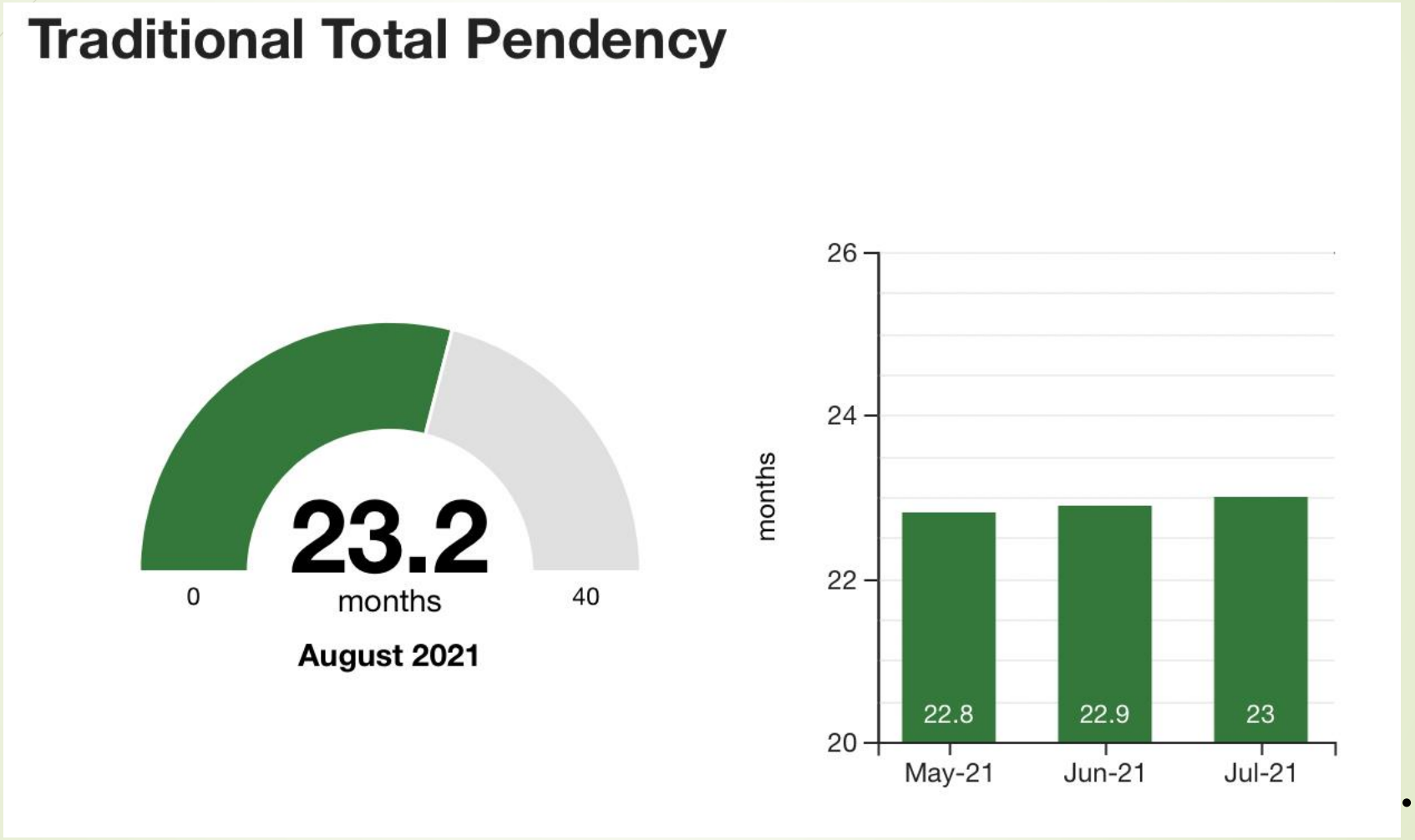
- IoT is permitting gathering real-time data on (for example) product performance, drug efficacy, defects, and more.
- AI is permitting analysis of that vast amount of data and extraction of "real world useful information."
- Together they are leading shorter time-to-market for new products, so that *more* product life cycles look like spikes, not bell-curves.
  - Even Pharma is seeing this effect.
  - Consider the Covid vaccines!
- But… that same power means shorter time-to-market for infringers.

Easier copying means shorter product life cycles

Analysis of different Product Life Cycles: Conclusions

- Well established products are those whose Popularity remains constant over the years.
- The Newer a Concept is, the flatter its Growth stage will be.
- People tend to trust more in what they know best.
- If a product is Easy to Copy, its popularity will decline sooner than later.
  - No matter how big or important is the company. Remember Amazon's Kindle.
- By comparing different Life Cycles of different Seasons (in Google Trends) you can obtain valuable information about a Product and what customers value most.
  - In Seasonal Products, of course.

Patenting is Faster



After 2 Years a patent issues and then…

- An IPR, a stay.
- Then, about 18 months later (if some claims survive) litigation restarts.
- And then if the patentee prevails at trial and on appeal… the patentee obtains only past money damages if the accused product's life cycle is over.

3D Printers Have Devalued Patents

- Because of exponential increases in processing power, bandwidth, and the exponentially decreasing cost and power of CAD, 3D printers have put us on the edge of the "maker economy."

3D Printers

Prime free delivery

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Sponsored

LOTMAXX Shark V2 3D Printer, Laser Engraving & Bi-Color Printing 2 in 1, Preassembl...

★★★★☆ 81

$439.99 ✓prime

Flashforge 3D Printer Guider II Large Size Intelligent Industrial Grade 3D Printer,...

★★★★☆ 21

$999.00 ✓prime

Flashforge Guider 2 3D Print... Intelligent Industrial Grade 3D Printer,...

Flashforge Dreamer 3D Printer Dual Extruder Color Print WIFI Touchscreen W/2 Spool ...

★★★★☆ 4

$999.00 ✓prime

FlashForge Creator Pro2 ...pendent Dual Extruder W/2 Spools, Metal Fra...

$649.00 ✓prime

Official Kywoo Tycoon 2.0 3D Printer,Featuring a Direct Drive extruder,32-bit Mothe...

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$559.99 ✓prime

Flashforge Dreamer 3D Printer Dual Extruder Color Print WIFI Touchscreen W/2...

★★★★☆ 101

$549.00 ✓prime

Flashforge 3D Printer Adventurer 3 Lite Auto Leveling Quick Removable Nozzle...

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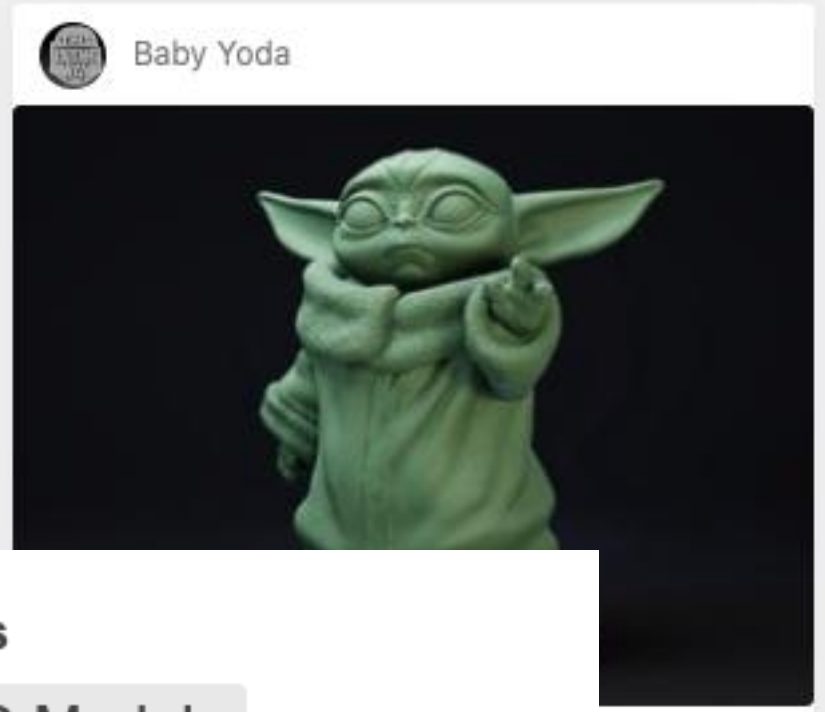
$299.00 ✓prime

Massive, Disbursed, Hard-to-spot Infringement

- 3D printers with CAD "digitize" things that we can "print"
  - Toys
  - Phone cases
  - Guns
  - Guitars
  - Pipes
  - Helicopter parts
  - Perfectly fitting clothes, shoes, etc.
  - And (already) biological material and lots more… even if it is protected by IP.
- And there are many file-sharing sites.
  - CADster™ coming your client's way soon?



Search Engine for 3D printable Models

Your Search for **"denon"** - 44 printable 3D Models

Just click on the icons, download the file(s) and print them on your 3D printer

Search Engine for 3D printable Models

Your Search for **"polaris pool cleaner"** - 2,063 printable 3D Models

Just click on the icons, download the file(s) and print them on your 3D printer

3D Printing: Who Infringes a Product Claim?

- Inducement requires specific intent to induce a third party to infringe.
  - CAD file sharing site: No.
  - 3D printer maker: No.
- Contributory infringement requires the product have no substantial non-infringing uses.
  - CAD file sharing site: No.
  - 3D printer maker: No.
- Direct infringement:
  - Consumer infringe? Yes, so sue every downloader, like the music industry did.
  - CAD file infringe? Holbrook & Osborn argue yes.
  - CAD file sharing site: H&O argue free transfer of a CAD file is "selling" the claimed invention…

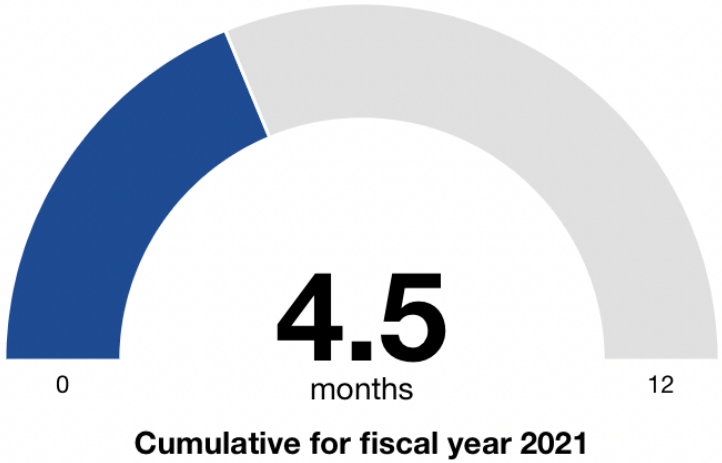
My guess:
courts will rule data to print a pipe is not a pipe

3. What to do?

- Discuss whether patenting is the best option (and, yes, there are other reasons to get patents besides enforcement).

Speed up Prosecution: Track One

Track One Pendency From Petition Grant To Allowance



Cumulative for fiscal year 2021

Track One Pendency From Petition Grant To Allowance is the average number of months from the Track One petition grant date to the date a Notice of Allowance is mailed by the USPTO. The term "pendency" refers to the fact that the application is pending or awaiting a decision.

The Track One allowance number displayed is the average for all Track One applications that have received an allowance in fiscal year 2020.

Get Damages Starting at Publication

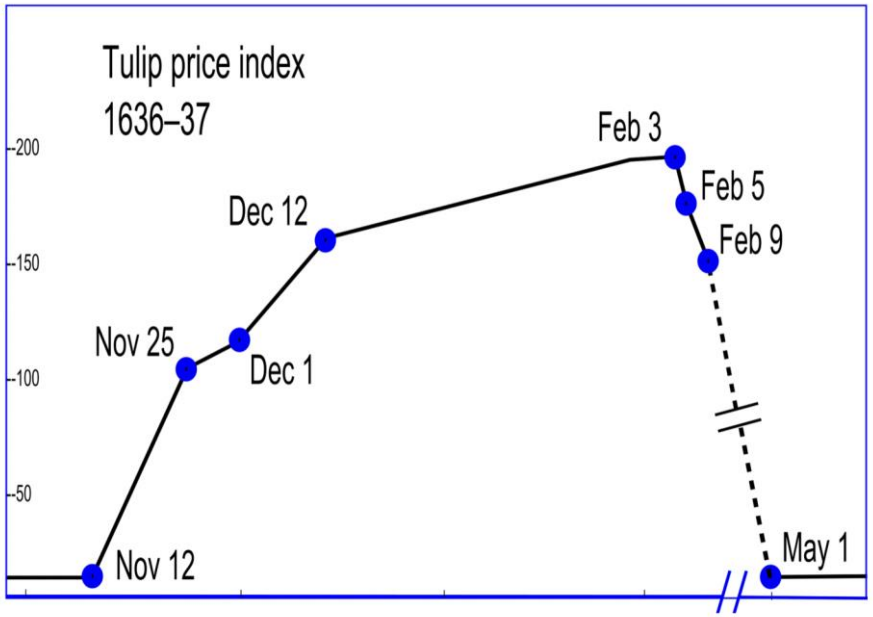
- Look at 35 USC 154(d) to see if you can prosecute to perhaps obtain damages from date of publication (hard to do but….).
- Watch for need to request republication if claims change.

Include a Claim for 3D Printers (When it Makes Sense)

- Patents are including dependent claims covering "the product of claim 1 printed by a 3D printer…"
- Consider copyright protection?
- Advise clients to use holograms/other means to police against counterfeiters/quality control?
- Advise clients to monitor file sharing sites?

Conclusion on Patenting

- Yes, patent applications continue to increase, but so did the price of tulips
- Cost pressures on practitioners suggest the value to business has decreased.



Tulip price index from 1636-1637. The values of this index were compiled by Earl A. Thompson in Thompson, Earl (2007), "The Tulipmania: Fact or artifact?", Public Choice 130, 99–114 (2007).

The Equitable Atomic Bomb

- Inequitable conduct is an equitable defense that bars enforcement of a patent. *See* 35 U.S.C. § 282(1).
- Origins in Supreme Court cases with really "bad actors."
  - Bribery of "prior user" who filed false affidavit favoring patentee (*Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240 (1933)).
  - Paying expert to write an article praising invention and submitting it to PTO (*Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944)).
  - Patentee discovered and suppressed evidence of perjury by inventor to obtain favorable settlement (*Precision Instruments Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 606 (1945)).

- Expanded until Chief Judge Rader famously called it the "atomic bomb" of litigation in 2011 in *Therasense*.

Therasense Supposedly Defused The Bomb

- En banc CAFC held inequitable conduct required evidence to support findings that:

  (1) withheld or misrepresented information had been *material* (*i.e.*, under BRI, an examiner more likely than not would have rejected a claim);

  (2) clear and convincing evidence inventor, practitioner, or a person substantively involved in prosecution had known of that information; and

  (3) clear and convincing evidence that the single most reasonable inference is that same person specifically intended to deceive the USPTO by withholding or misrepresenting the information.

- Court also recognized alternative based upon "affirmative egregious misconduct."

Have Recent Cases Relit the Fuse?

- *GS Cleantech Corp. v. Adkins Energy LLC*, 951 F.3d 1310 (Fed. Cir. 2020).
- *Gilead Sciences Inc. v. Merck* & Co., 888 F.3d 1231 (Fed. Cir. 2018).
- *Regeneron Pharma. Inc. v. Merus N. V.*, 864 F.3d 1353 (Fed. Cir. 2017).
- *Belcher Pharma. v. Hospira*, Appeal no. 2020-1799 (Fed. Cir. 2021).

• In addition, Rule 36 affirmances of district court holdings of unenforceability may be hiding additional erosion of *Therasense*, and different standards apply in PTAB proceedings (more on that in a minute).

Invalidity Summary Judgment in *GS CleanTech*

- Defendant moved for summary judgment that the '858 patent had been offered for sale based on etter offering a commercial, monitored "trial" of a "test module" that may have been able to perform the later-claimed method (or something close to it).
  - Patentee argued letter was not an offer, was not of the claimed method, and offered evidence invention had not been ready for patenting, and any use would have been experimental.
  - Trial court on summary judgment held certain method claims had been offered for sale.
- Then the patentee submitted the trial court's opinion and underlying evidence during prosecution of a CON to the same examiner allegedly intentionally deceived into issuing the '858 patent, who reviewed the information and granted the CON as a patent.

- Note: Whether an invention had been offered for sale a question of law based upon underlying facts, and so had the holding been appealable, summary judgment would have been reviewed *de novo* with no deference to the trial court's legal conclusion that no reasonable jury could have found there had been no offer for sale and any fact findings reviewed for clear error.

GS Clean Tech reviewed on-sale and intent for abuse of discretion

- After summary judgment, district court held a bench trial and found attorneys and others knew of the offer for sale, knew it had been material, and the only reasonable inference was each had an intent to deceive.
  - During this trial, the court refused to consider that the USPTO granted the CON or, because of its summary judgment ruling, admit evidence showing the invention had not been offered for sale or had been experimental.
- On appeal, CAFC refused to review on-sale conclusion *de novo,* but instead reviewed it for abuse of discretion. CAFC also refused to review fact findings for on-sale, materiality, and intent to deceive for clear error but also for abuse of discretion.
  - CAFC held trial court had not abused its discretion in finding "CleanTech" knew of offer, knew it had been material, and "CleanTech" had an intent to deceive.
  - Instead of reviewing the legal conclusions *de novo* and factual findings for clear error, it reviewed them only for abuse of discretion and affirmed.

Regeneron: How Litigation Misconduct Led to Inequitable Conduct

- Lawyer prosecuting '123 app; after getting NOA learned of new prior art.
- Concluded it was not material and wrote memo to file as to why.
- '123 Patent issues; lawyer files '456 CON and promptly discloses that new prior art.
- Years later, represented by another firm, former client asserts the '123 Patent.
  - Defendant asserts inequitable conduct.
  - Litigation is heated; years later, some claims found invalid based on the undisclosed prior art.
  - Moments before planned inequitable conduct bench trial, as a sanction for patentee's litigator's misconduct, judge bars practitioner from testifying to show lack of intent to deceive, and instead presumes intent and so finds inequitable conduct by practitioner and others
- CAFC affirms, among other things finding materiality even though practitioner had interpreted the claims more narrowly than former client did… years later in litigation.

Gilead: Unclean Hands

- Merck had a business relationship with Gilead in which it agreed to firewall off certain Merck employees, including Merck's in-house prosecutor Durette, from learning Gilead info.
    - Even so, Durette was on a conference call with Gilead and learned structure of Gilead's lead compound.
- Durette later used that info to obtain a Merck patent with a narrowed claim targeting Gilead's structure.
- Later Merck sued Gilead on the narrowed claim.
    - Jury found narrowed claim infringed, not derived, and awarded Merck $200m.
- District court vacated the award after finding unclean hands due to misuse of Gilead's information by Durette – even though no derivation.

Prosecution Compared to IPR

	Who	What
Prosecution	Inventor, practitioner, those substantively involved in prosecution	PFC unpatentability Inconsistent info
IPR generally	Parties, and individuals involved in IPR	"General duty of candor and good faith" presumably limited to at least inconsistent info.
Filing doc in IPR	Inventors, corporate officers, and persons involved in preparing documents in the IPR.	Inconsistent info

Substitute Claims and Candor in IPR

	Who	What
Substitute claims	Rule: "Parties and individuals involved" *MasterImage 3D*: "the patent owner"	*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 other proceeding before the Office involving the patent.

Some Takeaways

- For litigators representing patentees: if a trial court finds invalidity, because of *GS Cleantech* seek to appeal under Fed. R. Civ. P. 54(b), or seek certified appeal under 1292(b) -- or risk "abuse of discretion" review by CAFC.
- For prosecutors: If a patent you prosecuted is litigated and inequitable conduct is raised, consider obtaining your own counsel.
- For everyone: Take NDAs, firewalls, prosecution bars, and the like seriously and monitor for compliance by your lawyers, experts, and the other side's as well!
- IPRs are not prosecution!

Thank You!

By David Hricik
Professor and Associate Dean of Faculty Research & Development
Mercer Law School