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PATENT ETHICS: PROSECUTION

DAVID HRICIK
MERCEDES MEYER

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Patent Ethics: Prosecution

2015 Edition

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MATTHEW  BENDER

Dedication

David dedicates this book to his mother and father, to his wife, and to those who taught him what little he knows about writing well.

Mercedes dedicates this book to her husband, Stephen, and daughter, Merrill, for their patience while she wrote the book, often on family vacations; to her parents, Dan and Gunda Meyer (the 2nd Meyer textbook, but with all words and no pictures); and to David Hricik for taking her along on this great quest.

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Chapter 1

A Brief Overview of the Disciplinary Authorities at the United States Patent and Trademark Office

Synopsis

- § 1.01 **Scope**
- § 1.02 **A Brief History of Regulation at the United States Patent and Trademark Office**
- § 1.03 **An Overview of Discipline at the USPTO by the OED through the PTO Code and Rules**

§ 1.01 Scope

This book addresses ethical issues that directly face patent lawyers, patent agents, companies, and firms that prosecute and opine about patents. Indirectly, it addresses issues that arise in patent litigation. For example, if an accused infringer is relying upon an opinion of counsel that was provided to it by a firm with a conflict of interest, that opinion may be inadmissible at trial. But our focus is on prosecution ethics, and we leave ethical issues in patent litigation to the companion book to this one.

This third edition is significantly expanded, revised, and supplemented. Much has changed in just the year since publication of the first edition in 2013. Foremost, the United States Patent & Trademark Office (USPTO) repealed its existing rules—the USPTO Code of Professional Responsibility (PTO Code)—and replaced them effective May 3, 2013 with the USPTO Rules of Professional Conduct (PTO Rules); yet, the old PTO Code will continue to have potential relevance to conduct occurring before the change, for at least another decade. The new PTO Rules in some ways radically alter the former controlling PTO Code, and in some ways differ significantly from states that follow the ABA Model Rules.

Throughout the book, we refer to both sets of rules. The repealed PTO Code was in 37 C.F.R. § 10.1; the PTO Rules are in 37 C.F.R. § 11.1.

Apart from that fundamental change since the Second Edition, malpractice claims based upon patent prosecution continue to increase.¹ Verdicts of \$30 million and \$70 million have been awarded to applicants and patent holders who had never licensed their patents or even received a granted patent.² In our experience, the USPTO's Office of Enrollment and Discipline (OED) continues to be vigorous in its enforcement efforts, and persists in asserting a broad view of its jurisdiction to do so. All of this has led to a significant increase in the volume of case law and other authorities that practitioners should know.

We have updated the new chapters addressing opinions of counsel, the troublesome issue of best mode and the America Invents Act (AIA), and both old and new post-grant proceedings. In addition, we have significantly increased discussion of ethical issues surrounding patent agents and covered additional new topics of growing concern to the patent bar. Nonetheless, the structure of the second edition remains largely intact.

The book is organized in five parts. In the first part, we provide a thorough, topical discussion of ethical issues arising in prosecution, post-grant proceedings, and opinion work. Then we provide two appendices. Appendix 1 includes the now-repealed PTO Code—which will continue to have some bearing on OED proceedings until at least May 2023³—that we have annotated with case law and further commentary, as well as the procedural rules governing disciplinary proceedings before the OED. Appendix 2 contains the new USPTO Rules, which will govern conduct occurring after mid-2013. Appendix 3 includes forms, referenced in the first part of the book, for adaption to your particular practice, and which should

¹ A 2010 article concluded that intellectual property claims had increased from less than one percent of all malpractice claims in 1985 to nearly two percent in 2007. Michael J. Lasinski & Richard M. Conroy, *Patent Attorney Malpractice: What's the Value of Nonexistent Patent Rights?*, LANDSLIDE, Jan./Feb. 2010, at 23, 24. Recent analyses suggest that there are about 300 patent-related malpractice suits filed each year. Paul Janicke, *The Patent Malpractice Thicket, or Why Justice Holmes was Right*, 50 HOUS. L. REV. 437, 441 (2012).

² See *id.*

³ Presumably, 20 years after the institution of the USPTO Rules, most of the applications will have expired such that disciplinary actions under the PTO Code during which the files were originally filed and prosecuted will have diminished to relatively few. However, we note that patent term adjustment and patent term extension of certain patents may extend the term for another 5 years, or until 2028.

provides ideas on how to systematize patent prosecution practice as well as to educate new practitioners and paralegals, for example, for filing and prosecuting patent applications in a post-AIA world. Given the rapidly evolving laws and differences between technical areas, these forms are merely suggestions for tools for creating your own materials for your own practice. Appendix 4 contains updated correlation tables that correlate the ABA Model Code to the PTO Code, and the ABA Model Rules to the PTO Rules. Appendix 5 is a chart from the USPTO showing differences between the USPTO Rules and the Model Rules.

As will be seen, “ethics” means a variety of different things. It includes discipline, but limiting the book to the question of whether a practitioner could be disciplined by the OED would ignore several arguably more important things. First, for example, disciplinary rules are used outside the context of disciplinary proceedings to determine or to at least serve as evidence of whether a practitioner has breached a duty to a client, the USPTO, or a third party. Second, some issues fairly thought of as “ethical” relate to substantive law, such as prosecution laches and inequitable conduct. Third, state law and state disciplinary rules also have a role to play, and so limiting the scope of the book to the meaning and application of the PTO Code and PTO Rules in OED disciplinary proceedings would leave out a lot.

We have tried to be inclusive. At the same time, virtually every aspect of patent law could be deemed to implicate “competency.” A practitioner who does not know of the duty of disclosure, for example, is clearly incompetent, as is one who does not know to calendar important deadlines, properly traverse rejections, and correctly draft claims. Thus, in some instances, we have used our judgment to draw boundaries about what we believe implicates ethics “more” than substantive law. Ours is admittedly an arbitrary distinction. Where we know of other good authorities on a particular area of substantive law, we have cited it in the footnotes.

We begin with the most direct form of ethics—discipline by the OED. We start by providing an overview of the history of the regulation of practitioners and the current status of disciplinary proceedings at the USPTO.

§ 1.02 A Brief History of Regulation at the United States Patent and Trademark Office

States have long regulated admission to and exclusion from the practice of law. Like other federal agencies, the USPTO has also regulated those who practice before it—both lawyer and nonlawyer alike.

The fact that both lawyers and nonlawyer patent agents are regulated by the same code of ethics has been the source of some discussion now for

decades. A recent article summarized the evolution of regulation of those who practice before the USPTO as follows, and the regular attention paid to the fact that some who practice before the USPTO are not, in addition, regulated as lawyers by the states:

Congress first conferred to the Commissioner of Patents the power to regulate practice before the Office in 1861, when it provided that “for gross misconduct [the Commissioner] may refuse to recognize any person as a patent agent, either generally or in any particular case” In 1869, the Commissioner promulgated the “Rules and Directions for Proceedings in the Patent Office,” which provided that “any person of intelligence and good moral character may appear as the attorney in fact or agent of an applicant upon filing proper power of attorney.” From the beginning, many of those who came before the Office to represent patent applicants were engineers or chemists who were familiar with the technical subject matter of the applications, yet were not attorneys. “Many of them were not members of the bar. It probably never occurred to anybody that they should be.”

Despite the Office’s allowance, from the outset, of nonlawyers to represent applicants as agents before the Patent Office, many of these same agents, “not subject to the professional restraints of their lawyer brethren,” were responsible for a great deal of the fraud the Office had been working to combat since its inception. This included deceptive advertising and other forms of victimization of inventors. To combat the fraud, the Commissioner of Patents in 1899 required, for the first time, that anyone wishing to practice before the Patent Office must first register with the Office. This was followed, in 1918, by a mandate of the Commissioner that anyone wishing to advertise as a practitioner of the Patent Office receive advanced approval for any and all advertising material to be distributed in order to curtail deceptive advertising. This culminated in 1922, with Congress amending a prior statute to “expressly authorize the Commissioner [of Patents] to prescribe regulations for the recognition of agents and attorneys.”

The 1922 amendment, which had originally been proposed in 1912, was meant to provide for the “creation of a patent bar” and “to require a higher standard of qualifications for registry” as a practitioner before the Patent Office. Although the commissioner at the time had suggested that many of the Patent Office abuses could be eliminated by restricting registration and practice before the Office to lawyers only, his successor voiced strong opposition to any such restriction while addressing Congress as they were determining the fate of this legislation:

It has been suggested many times that the privilege of practicing before the Office should be granted only after examination similar to examinations held for admission to the bar. It is believed that this requirement would be too severe, as many persons not specially trained in the law and without any particular educational advantages may by careful study of the practice and of the useful arts learn adequately to prosecute applications. Fundamentally knowledge of the invention is more important than knowledge of the rules and is often possessed by men of a type of mind which does not acquire legal knowledge readily.

In 1938, after it was learned that people were falsely claiming to be registered patent practitioners, new legislation was enacted to make such misrepresentation a criminal offense, thus giving a backbone to the 1922 legislation.

During the years prior to the enactment of the 1938 legislation, "the distinction between patent lawyers, who had been admitted to the bar, and nonlawyer agents, was repeatedly brought out" in both Houses of Congress. The notion was often raised that the pending legislation was meant to prevent nonlawyers from representing themselves as "patent practitioners." Each time the distinction between patent lawyers and patent agents was made, there was a quick and definitive response explaining that the pending legislation was intended solely for the purpose of preventing patent agents from labeling themselves "patent attorneys," as had previously been permitted by the Office. In fact, prior to the 1938 legislation, the Patent Office maintained only one list of registration for both lawyers and nonlawyers practicing before the Office, and traditionally referred to both as "Patent Attorneys." It was not until 1938 that the Commissioner of Patents created, for the first time, two separate registers, one for lawyers and one for nonlawyers, following suggestions made to him during Committee Hearings on the matter. When the Commissioner of Patents was asked "what is going to be the difference in the legal prerogatives of the agents" and those of patent attorneys, he responded that "their rights in the Patent Office will be exactly the same. Their rights in the courts will be different."

Throughout this period from 1912 up to the enactment of the 1952 Patent Act, there were "strong and unchallenged implications that registered agents ha[d] a right to practice before the Patent Office." During this time there was a great deal of reform on the part of the Patent Office, including requiring all practitioners to pass a rigorous examination, strictly regulating the advertising of patent agents, and demanding that "attorneys and agents appearing before the Patent Office . . .

conform to the standards of ethical and professional conduct generally applicable to attorneys before the courts of the United States.” The intent of Congress was again evident when, in 1946, it provided in § 6 (a) of the Administrative Procedure Act:

[E]very party shall be accorded the right to appear in person or by or with counsel or other duly qualified representative in any agency proceeding. . . . Nothing herein shall be construed either to grant or to deny to any person who is not a lawyer the right to appear for or represent others before any agency or in any agency proceeding.

During the course of this enactment, the Chairman of the American Bar Association’s committee on administrative law testified before the House Judiciary Committee:

A great deal of complaint has been received from two sources. Number one is the lay practitioners before the various agencies . . . who are afraid something might be said that would oust them from practice. On the other hand, there is a great deal of protest from the committees on unauthorized practice of the law in various State, local, and municipal bar associations who are just as vehement in saying that these measures fail to recognize that legal procedure must be confined to lawyers. But these bills do not eliminate the lay practitioner, if the administrative agency feels they have a function to perform and desires to admit him to practice.

The Senate Judiciary Committee later echoed this sentiment when it reported that “nonlawyers, if permitted by the agency to practice before it, are not excluded from representing interested parties in administrative matters.” By the time the Patent Act of 1952 was enacted, it was well established, at least in federal law, that registered agents had a right to practice before the Patent Office. Until this point, every state court considering the issue “agreed that the authority to participate in administrative proceedings conferred by the Patent Office and by other federal agencies was either consistent with or preemptive of [any] state law” to the contrary.⁴

Thus, Congress authorized the USPTO to regulate the conduct of those who practice before it, whether they are attorneys subject to discipline by the

⁴ Nathan D. Renov, *To Opine or Not to Opine, That is the Question: A Discussion of a Patent Agent’s Representation of Others Before the United States Patent and Trademark Office in Light of Revised Rules of Patent Ethics and Professionalism*, 8 CARDOZO PUB. L. POL’Y & ETHICS J. 649, 658–62 (2010) (footnotes and internal citations omitted) (used with permission).

states or patent agents, largely subject to discipline only by the USPTO and subject to discipline under the same standards—those set out by the PTO Code and now PTO Rules.

We next summarize disciplinary procedures at the USPTO.

§ 1.03 An Overview of Discipline at the USPTO by the OED through the PTO Code and Rules

Although some of the authority we rely on was decided under other standards—whether state common law, or state disciplinary rules—our focus is on the ethical standards promulgated by the USPTO and contained in the PTO Code, an annotated copy of which is in Appendix 1,⁵ and the PTO Rules, an annotated copy of which is in Appendix 2.

Congress authorized the USPTO to establish disciplinary rules and to discipline practitioners who violate them.⁶ In accordance with that authority, the USPTO established the OED and, much later in 1985, adopted the PTO Code. The Director of the USPTO appoints the Director of the OED.⁷

The PTO Code was adopted in 1985 and, for the next twenty-eight years, remained largely unchanged, until it was replaced with the PTO Rules. The PTO Code was based principally on the American Bar Association (ABA) Model Code of Professional Responsibility (Model Code).⁸ Thus, the PTO Code was a comprehensive ethical code that covers everything found in codes governing lawyers.⁹ In May 2013, the USPTO repealed the PTO Code and replaced it with the PTO Rules, though the PTO Code remains pertinent at least with respect to conduct occurring before its repeal. (More on that below.) In disciplinary proceedings, the PTO Code and Rules apply to both patent lawyers and patent agents.¹⁰

⁵ For a complete history of the PTO Code and PTO Rules, see the tables at the beginning of Appendix 1 and Appendix 2.

⁶ 35 U.S.C. §§ 2(b)(2)(D), 32 (2012).

⁷ 37 C.F.R. § 11.2(a).

⁸ See generally David S. D'Ascenzo, *Federal Objective or Common Law Champerty?—Ethical Issues Regarding Lawyers Acquiring an Interest in a Patent*, 3 TEX. INTELL. PROP. L.J. 255, 258–59, 270 (1995).

⁹ See generally William Jacob, *Professional Ethics Before the USPTO: A Discussion for Beginners*, 16 PROF. L. 22 (2005) (describing scope of PTO Code).

¹⁰ See 37 C.F.R. § 10.1(r) & § 11.1. A patent agent cannot practice trademark law before the USPTO; an attorney who is not registered to practice before the USPTO can engage in trademark practice, but not in patent law before the USPTO. Only an attorney who is registered to practice before the USPTO can both prosecute patents and represent others in