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PATENTS

The authors urge an expansive reading of the word “misconduct” in 37 C.F.R. § 41.128(a).

What Does the Word ‘Misconduct’ in 37 C.F.R. § 41.128(a) Mean?



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The Patent Trial and Appeal Board's Rule 128(a), 37 C.F.R. § 41.128(a), reads as follows:

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 request for relief or argument; or
- (3) Engaging in dilatory tactics.

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The views expressed herein are those of the authors and are not necessarily shared by their employer or its clients.

But what does the word “misconduct” in the preamble of that rule mean? Does it impose any limit on the APJs' discretion?

The “Legislative” History

The “legislative” history is stunningly unhelpful. According to the “*Supplementary Information*” published with the “new rules” on Aug. 12, 2004:

Section 41.128(a) restates Rule 616 on sanctions, but adds the examples of misleading arguments and dilatory tactics to the list of reasons for sanctions. Section 41.128(b) restates the list of sanctions provided in Rule 616, but adds a terminal disclaimer requirement as a sanction. [69 Fed. Reg. 49960, 49968.]

The only published comment concerning 37 C.F.R. § 41.128 concerned the words “misleading” and “dilatory” and read as follows:

Comment 145: One comment, while applauding the intent of now renumbered § 41.128(a) regarding sanctions, expresses concern that the word “misleading” in paragraph (a)(2) is too subjective and that the provision regarding dilatory tactics in paragraph (a)(3) is redundant with the other provisions of § 41.128(a).

Answer: While the word “misleading” calls for the exercise of judgment, it is no more subjective than “frivolous”, which also occurs in paragraph (a)(2). Moreover, the sanction for misleading arguments addresses a problem distinct from frivolous arguments. The history of the use of sanctions at the Board suggests that parties are appropriately restrained in requesting sanctions and that the Board is similarly restrained in applying them. Note that a frivolous charge that an opponent's argument is misleading would be sanctionable. Consequently, the inclusion of misleading arguments as a basis for sanctions is both necessary and unlikely to result in significant abuse.

The provision in paragraph (a)(3) for sanctioning dilatory tactics is not necessarily redundant. For instance, if a party requests and is granted a delay in good faith, but subsequently abuses the delay, there might not be a violation of paragraph (a)(1) or (a)(2). In any case, the inclusion of a sanction for dilatory tactics emphasizes the Board's com-

mitment to avoiding undue delays in light of the availability of patent term adjustments under 35 U.S.C. 154(b)(1)(C)(I). [69 Fed. Reg. 49960, 49989.]

Turning then to the “legislative” history of old Rule 616 on sanctions, in the March 17, 1995, amendment to that rule we find an extensive discussion of the board’s authority to award a sanction in the form of “*Compensatory Attorney Fees and Expenses*,” 60 Fed. Reg. 14488, 14494-14496 (March 17, 1995), along with citations of cases in which the Federal Circuit had affirmed holdings that certain conduct was sanctionable, but nothing seeking to generalize those holdings into a rule defining what types of conduct are sanctionable. The only passage that we think is relevant to this discussion is:

It is believed that there may be occasions when an award of compensatory expenses and/or compensatory attorney fees would be more commensurate in scope with the infraction than the sanctions that are currently authorized. [60 Fed. Reg. 14488, 14494.]

In the “Supplementary Information” accompanying the original Dec. 12, 1984, promulgation of old Rule 616 we find only the following:

Section 1.616 permits an examiner-in-chief [the old title of the Article I judges who are now denominated administrative patent judges] or the Board to impose appropriate sanctions against a party who fails to comply with the rules or with an order entered in the interference. Paragraphs (a) through (e) set forth some of the possible sanctions which can be entered. The particular sanction to be entered would depend on the facts of a given case and ordinarily would not be entered prior to giving the affected party an opportunity to present its views. An individual examiner-in-chief could not impose [a] sanction granting judgment inasmuch as entry of a judgment requires action by the Board. See § 1.610(a). A party desiring sanctions [to be] imposed against an opponent could move under § 1.635 for entry of an order imposing sanctions. [49 Fed. Reg. 48416, Example 19.]

And the only published comment concerning old Rule 616 read as follows:

One comment was received which said the following with respect to § 1.616: “Sanctions should not be left to the Examiner-in-Chief (EIC) or BAI [Board of Patent Appeals and Interferences] – This rule is *unnecessary* and should be deleted. An alternative would be to give sanction power only to the BAI.” The suggestion to delete § 1.616 is not being adopted. There are cases where sanctions are warranted. See e.g., *Woods v. Tsuchiya*, 207 USPQ 228 (Comm’r. Pat. 1979) and *Tezel v. Bellantoni*, 188 USPQ 688 (Bd. Pat. Int. 1975). The PTO continues to believe that imposition of a sanction (except judgment) by a single examiner-in-chief is appropriate. In any event, a party may ask a 3-member panel of the Board to reconsider any sanction which may be imposed by a single examiner-in-chief. See § 1.640(c). [49 Fed. Reg. 48416, Example 34.]

So, Have the APJs Been “Appropriately Restrained” in Their Imposition of Sanctions?

While this is obviously a judgment call on which reasonable minds can differ, the authors of this article believe that the APJs have been more than “appropriately restrained” in their imposition of sanctions; they have been overly restrained. As the senior author of this article wrote in an article entitled “Is the Board Putting

Some Teeth Into The Sanctions Rule?” published in 2011:

In my opinion, the board’s application of 37 CFR 41.128 has been difficult to predict – but, on the whole, rather lenient. However, the “Informative” opinion of APJ Torczon in *California Institute of Technology v. Enzo Life Sciences, Inc.*, Paper No. 117 in Interference No. 105,496 may indicate that the patience of at least some of the APJs is becoming exhausted with respect to those practitioner transgressions which particularly irritate them. [Footnote omitted.]

As support for the proposition that, prior to 2011, the APJs were inappropriately lenient in their enforcement of 37 C.F.R. § 41.128, we invite the reader’s attention to *Ashkenazi v. Browning*, 2008 Pat.App.LEXIS 6702 (B.P.A.I. 2008) (opinion by APJ Michael Tierney for a panel that also consisted of APJs Sally Gardner Lane and James T. Moore), which contains the following:

Ashkenazi engaged in conduct that led Browning and the Board to expend time and resources on what can only be described as a wild goose chase. Ashkenazi[,] however, has lost the interference and did come forward with the requested information once a motion for sanctions had been authorized. Accordingly, while we find that Ashkenazi’s conduct fell below the standards expected of an individual appearing before this Board, we exercise our discretion by not imposing the sanctions requested by Browning [which were that the panel strike the two declarations submitted by Dr. Peter and any portion of Ashkenazi’s motions and opposition that relied on them or, alternatively, make adverse inferences against Ashkenazi because the testimony that Dr. Peter provided in a prior case was inconsistent with the testimony that Dr. Peter provided in the interference] or any alternative sanctions.

* * *

Browning Miscellaneous Motion 4 alleges that Ashkenazi acted in bad faith and that sanctions are not only appropriate but are required. * * * Specifically, Browning states that sanctions are “necessary to prevent such violations of the standards of acceptable interference practice in the future.” * * * Ashkenazi opposes. * * * We find that Ashkenazi’s conduct fell below that which is required of an individual appearing before this Board but that a formal sanction is not required on the facts of this case.

* * *

It is unnecessary to consider the precise sanctions requested by Browning. Ashkenazi has already lost the interference on the merits. Specifically, the Board has exercised its discretion and reviewed Ashkenazi’s motions and denied them on the merits and found that Ashkenazi is not entitled to priority of invention as against Browning.

Additionally, we find that Ashkenazi’s counsel provided a candid and sincere explanation of his conduct during oral argument. Specifically, Ashkenazi’s counsel acknowledged at oral argument that the facts as written do not portray his actions in the best light. Ashkenazi also acknowledges that, in retrospect, things could have been handled differently. Further, Counsel stated that his action were those of an honest man and requested that the Board take into account that he came forward in the end with a full disclosure of his conversation with Dr. Peter. [2008 Pat.App.LEXIS at *1-*3, *16.]

Authors’ Comments: What about redressing Browning’s real party-in-interest for its costs engendered by that “wild goose chase”?! What about disciplinary action against Ashkenazi’s counsel along the lines of the disciplinary action taken against the practitioner involved in *In the Matter of: Steven B. Kelber*, 2008 US-PTO OED LEXIS 106 (Sept. 23, 2008), discussed in an

article entitled “Is It OK to Lie To Opposing Counsel?” published in 2009 by the senior author of this article?

How We Believe That the Word “Misconduct” in 37 C.F.R § 41.128(a) Should Be Interpreted

We believe that Judge Tierney was on the right track when he wrote that Ashkenazi’s counsel’s conduct “fell below the standards expected of an individual appearing before this Board,” but that the panel similarly fell below the standards expected of the APJs when they failed to take *any* action against that counsel. The only guidance for the interpretation of the word “misconduct” in the preamble of 37 C.F.R. § 41.128(a) provided by the “legislative” history and the venerable doctrine of *eiusdem generis* (i.e., when a rule or a law contains a generic term and a list of exemplars of that generic term, the generic term should be interpreted to encompass things that are not on the list of exemplars but which are similar to the things that are on the list of exemplars) is that the implementation of 37 C.F.R. § 41.128 “calls for the exercise of [good] judgment” and that the sanction imposed in any specific case should be proportioned to the severity of the infraction. In this

connection, the reader’s attention is invited to an article entitled “Must the Punishment Fit the Crime?” co-authored by the senior author of this article and published in 2006.

The authors submit that 37 C.F.R. § 41.128(a) is rather like the famous term in military law which permits punishment for conduct inappropriate for “an officer and a gentleman.” After all, we are all “officers of the board.”

Practically speaking, the word “misconduct” in the preamble of 37 C.F.R. § 41.128(a) should be interpreted as any conduct which “shocks the consciences” of the APJs. As stated in the Comments published with old Rule 616, “There are cases where sanctions are warranted.” That is, there have been (and there will no doubt continue to be) cases in which the conduct of a party or a party’s counsel falls shockingly below the standards that the APJs expect from those who conduct cases before the Board. However, experience has demonstrated that it is difficult to state a general rule encompassing all of those cases. Better to leave the definition of what merits sanctions somewhat ambiguous, but allow the APJs to proportion the compensatory attorneys’ fees and expenses to the severity of the infraction.