

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE FOR  
INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES  
PATENT AND TRADEMARK OFFICE

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SPECTRUM SOLUTIONS LLC,  
Petitioner,

v.

LONGHORN VACCINES & DIAGNOSTICS, LLC,  
Patent Owner.

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IPR2021-00847 (Patent 8,084,443 B2)  
IPR2021-00850 (Patent 8,293,467 B2)  
IPR2021-00854 (Patent 8,669,240 B2)  
IPR2021-00857 (Patent 9,212,399 B2)  
IPR2021-00860 (Patent 9,683,256 B2)

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**BRIEF OF *AMICUS CURIAE* THE NAPLES ROUNDTABLE  
IN SUPPORT OF NEITHER PARTY**

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## I. INTRODUCTION

The Naples Roundtable, Inc. is a 501(c)(3) non-profit organization whose primary mission is the exploration of ways to improve and strengthen the U.S. patent system. To achieve this goal, the Naples Roundtable supports the advanced study of both national and international intellectual property law and policy. The Naples Roundtable fosters the exchange of ideas and viewpoints among the world's leading intellectual property experts and scholars. It also organizes conferences and other public events to promote the development and exchange of ideas that improve and strengthen the U.S. patent system. More information about the Naples Roundtable can be found at <http://www.thenaplesroundtable.org>. The views expressed herein should not be attributed to any individual's employers, law firms, or clients.

This *amicus* brief is filed in support of neither party and takes no position on whether the facts of this case constitute sanctionable misconduct.

The Naples Roundtable submits this *amicus* brief in response to Paper 133, Order Conduct of the Proceeding, 37 C.F.R. § 42.5(a), which asks three questions:

1. When the Board determines that a party has withheld relevant factual evidence during an AIA proceeding, which USPTO regulations are implicated? Do such regulations include 37 C.F.R. § 1.56?

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2. When the Board determines that a party has withheld relevant factual evidence during an AIA proceeding, is it an appropriate sanction for the Board to apply adverse judgment in a final written decision to deem claims unpatentable? Is such a sanction proportionate to the harm caused by the party, taking into account the integrity of the patent system? and

3. When the Board determines that a party has withheld relevant factual evidence during an AIA proceeding, what other sanctions are appropriate, either in addition to, or in place of, applying adverse judgment in a final written decision to deem claims unpatentable?

Paper 133, at 6.

The Naples Roundtable files this brief to address only the second question—regarding the propriety and proportionality of the Board’s determination of unpatentability in cases of sanctionable misconduct. The Naples Roundtable takes no position on the facts of this case, nor does the Naples Roundtable purport to delineate every situation that would warrant such a sanction. The purpose of this brief is to explain that the Board has authority to cancel claims as unpatentable as a sanction and that such cancelation may be just and proportionate under certain circumstances.

As explained below, a) the Director possess statutory authority to prescribe sanctions for abusive and improper behavior in *inter partes* review proceedings;  
b) the Board possess statutory authority and a duty to determine whether

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challenged and proposed substitute claims are patentable or unpatentable in an instituted *inter partes* review proceeding; and c) agencies within the Department of Commerce possess inherent authority to apply an adverse inference against an offending party, particularly in cases of fraud. It follows that the Board, in an instituted *inter partes* review, may apply an adverse judgment as a sanction that deems all challenged and proposed substitute claims unpatentable. Additionally, under certain circumstances, the sanction of adverse judgment may be proportionate to the harm caused by the misconduct because it may be near impossible to separate evidence that is tainted by fraud versus evidence that is untainted by fraud. Moreover, the sanction of adverse judgment against the offending party upholds the integrity of the Board, and of the patent system more generally, by deterring such behavior. Both the public and the parties should recognize that fraudulent behavior at the Board may result in harsh penalties.

## II. RELEVANT LEGAL PROVISIONS

35 U.S.C. § 316 provides, in pertinent part:

(a) REGULATIONS.—The Director shall prescribe regulations—

\* \* \*

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(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

\* \* \*

35 U.S.C. § 318 provides, in relevant part:

(a) Final Written Decision.—

If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

37 C.F.R. § 42.12 provides, in pertinent part:

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

\* \* \*

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

### III. ARGUMENT

Statute, regulation, and case law each supports the propriety of the Board applying an adverse judgment as a sanction that ultimately holds all challenged patent claims unpatentable in a final written decision. Moreover, such a sanction may be just and proportionate under certain circumstances. However, *amici* in this brief take no position on the facts of this case, nor do they delineate every such circumstance that may warrant such a sanction.

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**A. The Board has the authority to cancel claims as a sanction.**

The Board’s authority to deem claims unpatentable as a sanction for misconduct is based on both 1) the Director’s authority and duty to prescribe sanctions and 2) the Board’s authority and duty to deem challenged claims patentable or unpatentable. The Director’s authority and duty to prescribe sanctions manifests in regulations, of which an existing regulation permits the entry of adverse judgment in cases of misconduct. Even were this express authority lacking, however, executive agencies generally (and Commerce Department agencies in particular) possess inherent authority to reconsider their decisions in cases of fraud and to apply adverse facts against the offending party.

**1. The Director has the statutory authority and duty to prescribe sanctions for abusive behavior, and existing regulations permit entry of adverse judgment.**

Statutory language makes clear that the Director not only has the authority to prescribe regulations regarding sanctions, but also the duty to do so. Section 316(a) of the Patent Act provides that “The Director *shall* prescribe regulations...”. 35 U.S.C. § 316(a) (emphasis added). One of the regulations the Director shall prescribe involves “sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or



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an unnecessary increase in the cost of the proceeding.” 35 U.S.C. § 316(a)(6). In promulgating these regulations, the Director “shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.” 35 U.S.C § 316(b). Exercising this rulemaking authority, the Director promulgated regulations with respect to sanctions. 37 C.F.R. § 42.12. These regulations provide that “[t]he Board may impose a sanction against a party for misconduct,” and specify, among the list of potential sanctions, entry of “judgment in the trial or dismissal of the petition.” 37 C.F.R. § 42.12(b)(8).

Accordingly, the Board has authority to impose any of the potential sanctions set forth in § 42.12(b), including entry of judgment against the party that engaged in misconduct, § 42.12(b)(8).

**2. The Board has a statutory duty and authority to determine whether claims are patentable or unpatentable.**

In an instituted review proceeding, the Board is empowered and expected to determine whether claims are patentable or unpatentable. Section 318 states that the Board “*shall* issue a final written description with respect to the patentability of any

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patent claim challenged by the petitioner and any new claim added under section 316(d).” 35 U.S.C. § 318(a) (emphasis added). This authority is separate from, but complementary to, the Board’s authority to sanction misconduct.

Where a patent owner submits evidence to advance its position while falsely or misleadingly withholding other relevant evidence, the Board may sanction the patent owner by imposing an adverse inference against all of patent owner’s evidence and arguments under 37 C.F.R. § 42.12(b)(8). Such an adverse inference would cause the total weight of the evidence to tip in favor of the petitioner. *See* 35 U.S.C. § 316(e) (“petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence”). Accordingly, the Board’s authority to enter judgment against the patent owner under 37 C.F.R. § 42.12(b)(8) is consistent with and complementary to the Board’s authority rule on the merits of the petitioner’s patentability challenge under 35 U.S.C. § 318(a).

**3. Commerce has inherent authority to apply adverse inferences in cases of fraud.**

Although the statutory language fully supports the Board’s sanction authority as described above, the Board also possesses inherent authority to apply adverse inferences in cases of fraud.

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In general, administrative agencies are limited to the exercise of powers delegated to them by Congress. *Civil Aeronautics Bd. V. Delta Air Lines, Inc.*, 367 U.S. 316, 322 (1961). As explained above, Congress delegated to the Director the power to prescribe sanctions for misconduct and further delegated to the Board the power to determine whether challenged patent claims are patentable or unpatentable.

This power to decide also conveys with it the power to reconsider. *See Trujillo v. Gen. Elec. Co.*, 621 F.2d 1084, 1086 (10th Cir. 1980) (“[T]he power to decide in the first instance carries with it the power to reconsider.”). For this reason, courts have concluded that administrative agencies possess inherent authority to reconsider their decisions, regardless of explicit statutory authority. *See Macktal v. Chao*, 286 F.3d 822, 825-26 (5th Cir. 2002). The power of the Board to determine patentability is thus also the power to reconsider patentability.

The power of an agency to reconsider is “even more fundamental where ... it is exercised to protect the integrity of its own proceeding from fraud.” *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1361 (Fed. Cir. 2008); *Alberta Gas Chems., Ltd. v. Celanese Corp.*, 650 F.2d 9, 13 (2d Cir. 1981) (“It is

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hard to imagine a clearer case for exercising this inherent power [to reconsider] than when a fraud has been perpetrated on the tribunal in its initial proceeding.”).

This case is analogous to *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352 (Fed. Circ. 2008). In that case, the Federal Circuit considered the scope of Commerce’s authority to reopen proceedings tainted by fraud. *Id.* at 1354. Commerce, in an anti-dumping investigation, had determined that TKS were selling imported goods at less than fair value, and the International Trade Commission found this dumping had caused injury to the domestic industry. *Id.* at 1356. Commerce then issued an anti-dumping duty order. *Id.* After conducting three yearly reviews subsequent to the anti-dumping order, Commerce concluded that TKS was no longer dumping and revoked the previous anti-dumping order. *Id.* Later, Commerce learned that TKS had provided false information during the yearly reviews. *Id.* at 1357. Commerce then reinstated the anti-dumping order and applied adverse facts to the rate for the year in which TKS had provided false information. *Id.* at 1358. At the Court of International Trade, TKS challenged Commerce’s actions as lacking authority. *Id.* The trial court sustained Commerce’s authority for its actions, and TKS appealed to the Federal Circuit,

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which upheld Commerce’s inherent authority to reconsider earlier decisions, particularly in the case of fraud. *Id.* at 1359-1361.

Relevant to the present *inter partes* review proceedings, the inherent authority exercised by Commerce in *Tokyo Kikai Seisakusho* was to reconsider a decision on the merits and to apply adverse facts to the rate for which TKS had provided false information—rather than merely issuing some other non-merits sanction. Similarly here, the Board also issued a final written decision on the merits, applying an adverse judgment of unpatentability in response to misconduct committed by the patent owner.

**B. Cancellation of claims may be a just and proportionate sanction under certain circumstances.**

As noted above, the Director “shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.” 35 U.S.C § 316(b). Not only does the Director have the authority and duty to prescribe sanctions, including the option for the Board to apply adverse judgment, but this type of sanction is critical to upholding “the integrity of the patent system.” *Id.*

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One concern is the public’s perception of the Board. Perpetrating fraud on a court can have drastic consequences for the parties engaged in misconduct—including rendering the patent unenforceable. If the penalty for engaging in similar misconduct before the Board were to be less harsh, it would lead to a perception that it is easier to “get away” with fraud on the Patent Office. Ensuring that a similarly harsh sanction is available at the Board protects the integrity of the Board, the Patent Office, and the patent system more generally.

Another concern is the difficulty in cases before the Board of parsing out which evidence, statements, or arguments are tainted by fraud or misconduct on the one hand, versus those that are “untainted” by fraud or misconduct on the other. In such cases, it may be near impossible for the Board to be able to rule, with any reasonable degree of confidence, in favor of the patent owner based solely on the supposedly “untainted” evidence. An adverse judgement that finds all challenged and proposed substitute claims unpatentable may be the only just and fair outcome at that point. Such an outcome would better maintain public confidence in the integrity of the patent system because, among other things, the sanction reduces the risk of erroneously basing the Board’s merits decision on tainted evidence.

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#### IV. CONCLUSION

The Board's authority to cancel claims as a sanction for misconduct is supported by statute and regulation. Even were this authority to be in question, agencies generally have inherent authority to reconsider and decide cases on the merits, particularly in cases of fraud or misconduct. Without taking any position on the facts of this case, an adverse judgment that finds all challenged and proposed new claims unpatentable is a sanction available in *inter partes* review proceedings. Further, although this brief does not delineate all situations in which such a sanction would be appropriate, cancelation may be a just and proportionate sanction in certain cases, particularly as necessary to maintain the public's confidence in the integrity of the Board, the Patent Office, and the patent system.

Respectfully submitted,

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