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CHAPTER 5
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*Litigating Inequitable Conduct after Therasense, Exergen, and the AIA: Lessons for Litigants, Options for Owners*, 13 CHI.-KENT J. INTELL. PROP. 51 (Fall 2013)


<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. SANCTIONING MISBEHAVIOR IN INTELLECTUAL PROPERTY CASES</td>
<td>3</td>
</tr>
<tr>
<td>II. EXAMPLES OF RECENTLY SANCTIONED CONDUCT</td>
<td>4</td>
</tr>
<tr>
<td>III. SANCTIONS AWARD REVERSALS</td>
<td>14</td>
</tr>
<tr>
<td>IV. THE ETHICS FALLOUT FROM MISCONDUCT</td>
<td>31</td>
</tr>
<tr>
<td>V. CONCLUSION</td>
<td>38</td>
</tr>
</tbody>
</table>
Misconduct in civil litigation is not a new phenomenon.¹ Nor is it confined to particular types of cases. Because of their characteristic intensity,² however, intellectual property (IP) cases may be more likely to inspire bad behavior than other types of cases. In patent cases, in particular, often much is at stake for both counsel³ and client.⁴ The potential outcomes range from a judgment for the patent owner, potentially including trebled lost profits,⁵ a permanently enjoined infringer⁶ and even an attorneys’ fees

¹ See Maurice Rosenberg, Sanctions to Effectuate Pretrial Discovery, 58 COLUM. L. REV. 480, 484–89 (1958) (discussing judicial sanctions rulings from the 1930s, 1940s, and 1950s).
² See, e.g., Judge Elizabeth D. Laporte, Managing the Runaway Patent Case, N. CAL. ASS’N BUS. TRIAL LAW. REP., Summer 2003, at 6 (“The reasons for the intensity of patent litigation may range from the enormous economic stakes and competitive issues often involved to the lure of the heightened prospect of reversal on appeal when key issues are routinely reviewed de novo.”).
³ See, e.g., Jerry A. Riedinger, IP Ethics Potpourri—Commonly Arising Ethical Issues in Intellectual Property, in PLL14TH ANNUAL INSTITUTE ON INTELLECTUAL PROPERTY LAW 1257, 1272 (2008) (“Patent litigation often involves extremely valuable property, and high stakes, bet-the-company issues. Attorney fees frequently exceed multiple millions. Success can lead a patent litigator to ever more lucrative engagements, while failure can materially hinder an attorney’s career.”).
⁴ See, e.g., ALAN L. DURHAM, PATENT LAW ESSENTIALS: A CONCISE GUIDE x (1999) (“In no other area of civil litigation are the potential rewards for the victor more abundant or the penalties for the loser more catastrophic.”); Riedinger, supra note 3, at 1261 (“Much is at stake in IP litigation, especially patent litigation. The high stakes lead to bitter fights, lost tempers and a desire to win-at-all costs.”).
⁵ As discussed, for example, in Shockley v. Arcon, Inc., 248 F.3d 1349, 1362 (Fed. Cir. 2001), lost profits are available under particular circumstances pursuant to 35 U.S.C. § 284 (2012), which provides, in relevant part:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

⁶ Pursuant to 35 U.S.C. § 283 (2012), “[t]he several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.” See also eBay Inc. v. MereExchange, L.L.C., 547 U.S. 388, 391–92 (2006) (holding that permanent injunctions are available in patent cases in accordance with “well-established principles of equity”).
award,\textsuperscript{7} to a ruling that the asserted patent is partly or entirely invalid,\textsuperscript{8} or even unenforceable,\textsuperscript{9} with the patent owner ordered to pay the infringement defendant’s attorneys’ fees.\textsuperscript{10} And the complexity and potential intensity only increase when multiple patents, multiple accused products, or both are involved. The associated pressures seem, on occasion, to lead litigants and trial lawyers to succumb to the temptation to step outside the bounds of vigorous advocacy.\textsuperscript{11}

The trial judges in each of the IP cases discussed herein wrestled with the issue of whether certain litigation tactics crossed the line between advocacy and abuse. The decisions contend with a range of conduct, occurring at various phases of litigation. In several, the trial courts’ decisions to sanction were reversed or modified on appeal or reconsideration. Accordingly, these cases shed light on a question which challenges courts, litigants, and trial counsel: when it comes to zealous advocacy,\textsuperscript{12} how much zeal is too much zeal?\textsuperscript{13}

Where to draw the line can be a challenging question. And the stakes are high. Courts have the power to impose a wide variety of sanctions on parties and their counsel.\textsuperscript{14} The lawyers involved risk injury to their reputations and even, potentially, bar discipline.\textsuperscript{15} Following an overview of the key sanctions regimes available to the federal courts, this paper draws on some recent IP decisions examining litigation conduct to illustrate the range of conduct with which courts must contend and the application of various sanctions frameworks. It concludes with a discussion of the relationship between litigation misconduct and state and U.S. Patent and

\begin{itemize}
  \item See infra notes 22-23 and accompanying text.
  \item See, e.g., ALZA Corp. v. Andrx Phanns., LLC, 603 F.3d 935, 936 (Fed. Cir. 2010) (affirming a judgment that the asserted claims are invalid for lack of enablement).
  \item See, e.g., Avid Identification Sys., Inc. v. Crystal Imp. Corp., 603 F.3d 967, 977 (Fed. Cir. 2010) (affirming a judgment of unenforceability for inequitable conduct).
  \item See infra notes 22-23 and accompanying text.
  \item See Riedinger, supra note 3, at 1261 ("Because litigation -- like most legal practice -- is based upon an honor system, IP litigation produces great temptation to shave ethical corners.").
  \item MODEL RULES OF PROF'L CONDUCT pmbl. 2 (2011) ("As advocate, a lawyer zealously asserts the client's position under the rules of the adversary system."

\end{itemize}
Trademark Office (USPTO) ethics rules, and the potential ethics fallout from litigation conduct that crosses the line.

I. SANCTIONING MISBEHAVIOR IN INTELLECTUAL PROPERTY CASES

Parties and their counsel can be sanctioned under Fed. R. Civ. P. 11 for "presenting"—including "later advocating"—pleadings or other papers that include allegations unsupported by law or evidence. As illustrated by the cases discussed below, however, some recent IP litigation has generated significant sanctions litigation implicating other law governing misconduct in federal court, including some law specific to patent cases.

By way of background, discovery misconduct, such as unjustifiably certifying disclosures as complete or otherwise evading disclosure obligations, can be punished pursuant to Fed. R. Civ. P. 26(g) and 37.

16 FED. R. CIV. P. 11(b)-(c).
18 FED. R. CIV. P. 26(g)(1) requires that:

Every disclosure under Rule 26(a)(1) or (a)(3) and every discovery request, response, or objection must be signed by at least one attorney of record in the attorney's own name—or by the party personally, if unrepresented—and must state the signer's address, e-mail address, and telephone number. By signing, an attorney or party certifies that to the best of the person's knowledge, information, and belief formed after a reasonable inquiry:

(A) with respect to a disclosure, it is complete and correct as of the time it is made; and
(B) with respect to a discovery request, response, or objection, it is:
(i) consistent with these rules and warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law, or for establishing new law,
(ii) not interposed for any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation; and
(iii) neither unreasonable nor unduly burdensome or expensive, considering the needs of the case, prior discovery in the case, the amount in controversy, and the importance of the issues at stake in the action.

Regarding sanctions, FED. R. CIV. P. 26(g)(3) provides:

If a certification violates this rule without substantial justification, the court, on motion or on its own, must impose an appropriate sanction on the signer, the party on whose behalf the signer was acting, or both. The sanction may include an order to pay the reasonable expenses, including attorney's fees, caused by the violation.

19 FED. R. CIV. P. 37(c)(1)(A)-(C) provides in relevant part:
An attorney "who so multiplies the proceedings in any case unreasonably and vexatiously" can be sanctioned pursuant to 28 U.S.C. § 1927. In the federal courts also have the "inherent power" to sanction parties and counsel for bad-faith litigation conduct. Attorney fee awards are available under each authority.

In patent and trademark cases found "exceptional[,]" "prevailing party[ies]" may be awarded "reasonable attorney fees." In addition, as noted below, the U.S. Court of Appeals for the Federal Circuit has recently held that a trial court did not abuse its discretion in considering litigation misconduct as one factor justifying an award of enhanced damages pursuant to 35 U.S.C. § 284.

II. EXAMPLES OF RECENTLY SANCTIONED CONDUCT

Attorney conduct in some IP cases has generated some eye-catching headlines of late, including reports relating to sanctions in the form of enhanced damages, attorneys’ fee awards, and even potential jail time to punish aggressive tactics on the part of litigation counsel. For example, trial judges have rebuked counsel for:

If a party fails to provide information . . . as required by Rule 26(a) or 26(e) . . . the court, on motion and after giving an opportunity to be heard:
(A) may order payment of the reasonable expenses, including attorney's fees, caused by the failure;
(B) may inform the jury of the party's failure; and
(C) may impose other appropriate sanctions, including any of the orders listed in Rule 37(b)(2)(A)-(vi).

In full, 28 U.S.C. § 1927 (2012) provides:

Any attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.

See Chambers v. NASCO, Inc., 501 U.S. 32, 50 (1991) (upholding the inherent authority of the federal courts to impose sanctions, including attorney fees, for bad faith litigation conduct).

See supra notes 18-21.

According to 35 U.S.C. § 285 (2012), "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." See, e.g., Aspex Eyewear, Inc. v. Clariti Eyewear, Inc., 605 F.3d 1305, 1314 (Fed. Cir. 2010) (stating that "[a] case may be found exceptional in terms of § 285 when there has been some material inappropriate conduct related to the matter in litigation, such as willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed. R. Civ. P. 11, or other major impropriety" and collecting representative cases). The exceptional case authorization in trademark cases is found in 15 U.S.C. § 1117(a) (2012) ("The court in exceptional cases may award reasonable attorney fees to the prevailing party.").

See infra note 46 and accompanying text.
pressing forward with infringement allegations in the face of adverse claim construction rulings; 25
• "prolong[ing] the proceedings unnecessarily (thus unduly imposing upon the jury’s time), [seeking] to mislead both the jury and the Court, and [flouting] the governing claim construction as set forth by the Federal Circuit"; 26
• trying to prejudice jurors against the plaintiff patentee by asking them if they had “a problem with a company that puts its headquarters offshore on a Caribbean island in order to avoid paying U.S. taxes[,]” in violation of an order in limine; 27 and
• “persist[ing] in improperly trying to equate [the patentee’s] infringement case with the current national banking crisis implying that [the patentee] was a banker seeking a ‘bailout.’” 28

Two of these cases involved sanctions for what the trial courts regarded as the failure to heed a prior patent claim construction ruling. In both, the sanctioned parties were Medtronic companies, as enforcement plaintiffs in one and as infringement defendants in the other. 29 Sanctions were also imposed on Medtronic’s counsel in one of them. 30 In both, however, the


Federal Circuit reversed the finding of litigation misconduct. In fact, sanctions awards have been reversed or modified in a number of recent IP cases. Those decisions and their implications are discussed below. But first, a few examples will show that recent cases have involved a range of conduct and sanctions awards.

A. i4i Ltd. Partnership v. Microsoft Corp.

The i4i Ltd. Partnership v. Microsoft Corp. case involved computer technology, multiple complex patent law issues, disputes about the admissibility of particular evidence, and complicated damages calculations. The trial court’s decision is sixty-five pages long, but fewer than two pages are devoted to the issue of trial counsel misconduct. However, that misconduct was one factor in the court’s decision to award $40 million to the plaintiff in enhanced damages.

In i4i, the court considered the conduct of Microsoft’s trial counsel to be relevant to whether i4i, the prevailing patentee, was entitled to enhanced damages under 35 U.S.C. § 284. After discussing a number of factors relevant to the issue of enhancement, the court stated “also favoring enhancement is Microsoft’s counsel’s litigation conduct, specifically during trial.” It then described a line of argument by counsel that began at voir

33 i4i Ltd. Partnership v. Microsoft Corp., 670 F. Supp. 2d 568 (E.D. Tex. 2009), aff’d in relevant respects, 598 F.3d 831, 839 (Fed. Cir. 2010).
34 i4i, 670 F. Supp. 2d at 573.
35 See id. at 574–89, 603–08.
36 Id. at 589–91.
37 Id. at 591–98.
38 See id. at 568–608.
39 Id. at 595–96.
40 Id.
41 Id. at 593–96. 35 U.S.C. § 284 (2012) provides, in relevant part:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court. When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

42 i4i, 670 F. Supp. 2d at 593–95 (citing Read Corp. v. Portec, Inc., 970 F.2d 816 (Fed. Cir. 1992)).
43 Id. at 595.
dire and continued through closing arguments, despite the court’s repeated
admonitions and warnings:

Throughout the course of trial Microsoft’s trial counsel persisted in
arguing that it was somehow improper for a non-practicing patent owner
to sue for money damages. He further persisted in improperly trying to
equate i4i’s infringement case with the current national banking crisis
implying that i4i was a banker seeking a “bailout.”

These improper arguments were made in spite of the Court’s
warnings. Microsoft’s trial counsel began voir dire by asking the
following question to the jury panel:

So an example might be that somebody has a patent that they’re
using not to protect a valuable product but someone’s copying,
but because they are attacking somebody because they just want
to try to get money out of them. So it fits, for example, with the
litigation question Mr. Parker asked. So if somebody felt that—
let’s take this case for an example. If somebody felt that the
patents were being used in a wrong way, not to protect a valuable
product but a wrong way, could you find that patent invalid or
noninfringed?

In response, the Court sua sponte had counsel approach the bench and
outside the hearing of the jury asked:

THE COURT: I understand that you just told the jury if
somebody was using the patent not to compete, that that was the
wrong way to use the patent?

MR. POWERS: No, not to compete; just to get money, not to
protect anything. That’s what I asked.

THE COURT: What about protecting the patent?

MR. POWERS: I’ll ask it that way again.

THE COURT: I just—you know, I think you’re sort of misstating
the law, and I don’t want to embarrass you in front of the jury.
But I would appreciate it if you would clean that up.

MR. POWERS: I appreciate that. I will do that.

Despite this admonition, Microsoft’s trial counsel continued to
misstate the law and directly appeal to the jurors’ perceived prejudices.
During opening statement, he stated that "we're here because the bankers decided to achieve liquidity" and that "the banker cases are the ones where you don't have a very successful product, and the bankers decide to try to get their money out another way." ... Again, the Court sought to temper these statements with a specific instruction to the jury. ... ("The law recognizes no distinction among types of patent owners. A patent owner may be a competitor of an accused infringer, but it does not have to be. The characterization of a patent lawsuit as good or bad or as misuse of the patent laws based upon the status of the patent owner is inappropriate and should not play any part in your deliberations."). Regardless of this instruction, Microsoft's trial counsel's improper statements were again reinforced during closing argument. ... ("[i4i] had a product that failed. They had a patent that doesn't work. They're asking for a bail-out. President Tyler [sic] didn't give bankers a bail-out. We would ask for you not to give one here either.").

On appeal, the Federal Circuit upheld that the district court's decision to award enhanced damages in the amount of $40 million (on an underlying compensatory award of $200 million). Although Microsoft specifically argued on appeal that "the district court erred in holding that 'Microsoft's counsel's litigation conduct' 'favor[ed] enhancement,"' the Federal Circuit found no abuse of discretion in the district court's consideration of the litigation misconduct at issue, noting that "the district court considered Microsoft's litigation misconduct only after finding that the other Read factors favored enhanced damages . . . ."


Counsel for infringement defendant, Beyond Innovation Technology Company Limited (BiTEK), also attempted to bias the jury against a patentee plaintiff, but wound up with a contempt citation and a forty-eight hour (suspended) jail sentence! During voir dire, the defendant's attorney asked the jury panel, "are there any of you who have a problem with a

44 Id. at 395-96 (citations omitted).
45 i4i Ltd. P'ship v. Microsoft Corp., 598 F.3d 831, 852, 859 (Fed. Cir. 2010) (agreeing with Microsoft "that it would have been improper to enhance damages based solely on litigation misconduct").
46 Brief for Defendant-Appellant at 73, i4i Ltd. P'ship v. Microsoft Corp., 598 F.3d 831 (Fed. Cir. 2010) (No. 2009-1504).
47 i4i, 598 F.3d at 859. The Federal Circuit further noted that "[e]nhanced damages are certainly not the sole remedy for attorney misconduct." Id. at 859 n.5.
company that puts its headquarters offshore on a Caribbean island in order to avoid paying U.S. taxes? Counsel for the plaintiff objected immediately, and the court scheduled a hearing on the issue following jury selection. Following that hearing, the court held that counsel’s question violated the pre-trial order in limine, which read: “Defendants may refer to the fact that O2 is a Cayman Island’s corporation. The motion [to preclude evidence regarding O2’s Cayman Islands headquarters] is granted to the extent defendants seek to offer evidence relating to taxation.” It rejected the attorney’s explanation “that he believed, by asking the questions in a hypothetical manner, without mentioning [the plaintiff], he would avoid violating the order[,]” and held the violation to be “flagrant and intentional.” It suspended the sentence pending the completion of the trial, and ruled that the sentence would be considered discharged if the attorney violated no further orders.

At the hearing, the court reserved the separate issue of an appropriate sanction against the attorney’s client—BiTEK—and set forth its analysis regarding that issue in its subsequent order. Preliminarily, the court held that BiTEK, too, should be sanctioned, for “undermin[ing] the parties’ expectations to a trial by a jury selected from the panel summoned according to the regular process of the court.” The court set forth two goals it hoped to achieve via the sanctions: “curing the prejudice caused by the violation and deterring future litigants from violating the court’s orders in limine.” It declined O2 Micro’s request for the imposition of “‘death penalty’ sanctions,” citing the Federal Circuit’s decision in *ClearValue Inc. v. Pearl River Polymers Inc.*, discussed below, and thoughtfully considered the suitability of a number of “lesser sanctions” under the particular circumstances of this case.

The court rejected punitive or curative jury instructions as potentially prejudicing BiTEK’s co-defendants and noted that “such instructions would
only highlight the overly prejudicial question to the panel. Precluding BiTEK’s evidence would not suffice, as the other defendants—purchasers of BiTEK’s products—could and would be expected to introduce evidence (on the issues of infringement and willfulness) helpful to BiTEK. As for financial sanctions, the court declined to impose the costs of jury selection, observing that such a sanction “would effectively allow a litigant to buy a new jury panel by intentionally violating the court’s orders in limine,” and “[e]ven . . . a substantial fine,” because in high-value cases “parties might well have the incentive and the financial resources to engage in this type of conduct.”

Ultimately, the court gave O2 Micro the option of proceeding with the tainted jury or accepting a package of sanctions against BiTEK including the following:

- Mistrial;
- Severance of the case against BiTEK;
- Restricted voir dire time and peremptory challenges (half as many as O2);
- Jury instruction that BiTEK received less time in voir dire because “its counsel intentionally violated a court order in the first jury selection,” necessitating the impaneling of a new jury;
- Exclusion of BiTEK’s expert testimony on infringement; and
- Payment of “all of the parties’ costs and attorneys’ fees involved in the first jury selection and . . . the plaintiff’s cost and attorneys’ fees in having to try the severed case against the remaining defendants.”

The court’s discussion illustrates the special challenges associated with fashioning a remedy for misconduct occurring in the presence of the jury, particularly in high-stakes cases involving multiple parties.

O2 Micro elected to accept the mistrial and associated BiTEK sanctions, and ultimately prevailed on infringement and was awarded injunctive relief. On appeal, BiTEK specifically challenged the district court’s preclusion of BiTEK’s expert testimony on infringement, contending (inter alia) that “the sanction punished BiTEK for its attorney’s

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60 Id. at *3.
61 Id.
62 Id.
63 Id.
misconduct of which BiTEK was not culpable . . . .” 65 The Federal Circuit, applying Fifth Circuit law, upheld the sanction as an exercise of the district court’s inherent authority. 66 With regard to BiTEK’s complaint about being held to account for its counsel’s conduct, the court said “the finding that BiTEK was acting through its counsel comports with the well-settled principle that a client is responsible for its attorney’s conduct in the courtroom.” 67 It acknowledged that “[t]he exclusion of expert testimony . . . did hamper BiTEK’s ability to present its noninfringement theory through the witness it desired[,]” but indicated that such a consequence was necessary to fulfill “the deterrent effect of the sanction.” 68 It also rejected BiTEK’s contention that monetary sanctions sufficed to compensate O2 Micro and deter future misconduct, noting the district court’s concern that otherwise, a litigant could “buy a new jury panel” via in limine violations. 69 This case illustrates the careful tailoring of sanctions to particular circumstances, the use of sanctions to both compensate and deter, and the potential for the conduct of counsel to injure his or her own client.

C. Commil USA v. Cisco Systems, Inc.

The conduct of a litigation attorney for infringement defendant Cisco Systems, Inc. reportedly prompted a Marshall, Texas federal magistrate judge to offer to entertain a new trial motion on the part of Commil USA, the patentee. 70 The attorney, Otis Carroll, was accused of seeking to play to potential anti-foreign bias by asking the jury to reject the infringement claim so that Commil’s President Jonathan David “won’t fly back home [to Israel] later this week with a sack full of Cisco’s money that belongs to Cisco and its employees here in Texas.” 71 But more inflammatory was Mr. Carroll’s remark to Mr. David, who is Jewish, during cross-examination. Mr. Carroll asked Mr. David if he had met in Marshall with one of the inventors of the patent at issue. 72 Following Mr. David’s answer that the

65 Id. at 929.
66 Id. at 929-30.
67 Id. at 930.
68 Id. at 931.
69 Id.
71 Id.
72 Id.
two had met for dinner at the Bodacious Barbecue restaurant, Mr. Carroll guessed “I bet not pork” regarding what Mr. David had eaten.73

Magistrate Judge Chad Everingham promptly issued a curative instruction to the jury, stating: “Sometimes when a lawyer injects irrelevant information into a case it's because he perceives a weakness in the merits of his case. I don't know whether that's why it happened in this case, but you can consider that as you're evaluating the testimony and the evidence in this case.”74 But after the jury came back with a $3.7 million verdict—far short of the $53 million the patentee had requested—the magistrate judge expressed concern about the effect of the remark on the jury, and invited the new trial motion.75

The court granted Commil's new trial motion, concluding “that Cisco’s counsel’s statements regarding religious preference were improper and that the jury’s verdict was inconsistent with substantial justice.”76 It denied Cisco’s motion for reconsideration of the new trial order, stating “this court is in the best position to evaluate the prejudicial effect of Cisco’s counsel's improper comments on Commil's substantial rights and the jury's verdict. The court did just that and concluded that the prejudicial effect warranted a new trial.”77

D. Kellogg v. Nike, Inc.

*Kellogg v. Nike, Inc.*78 is a fourth recent patent case in which the trial court was concerned about remarks of counsel during trial, but this time the statements related to the merits. In this design patent case, the court had ordered in limine that “any argument or evidence that was inconsistent with the . . . claim construction would be irrelevant,” and gave specific guidance regarding terms counsel could and could not use to refer to the accused products during a hearing immediately before trial.79 In its order on post-trial motions, including the plaintiff's request for attorney fees, the court
cited several instances at trial\textsuperscript{80} in which the defendant "repeatedly attempted to reintroduce and reargue theories rejected by the Court in the claim construction order and the order on motions in limine."\textsuperscript{81} According to the court: "The conduct proscribed by those orders was clear. Nike's misconduct occurred throughout the trial and Kellogg preserved objections to much of the misconduct."\textsuperscript{82} The court found that:

Nike's conduct at trial and throughout this litigation revealed a strategy calculated to misdirect the jury's focus from the proper comparison of the patented design to the design on Nike's accused hats to an improper comparison of the whole hats shown in Kellogg's patent to Nike's accused hats. Nike made attempts to lead the jury to a product-to-product comparison that was contrary to established law and to the court's instructions. Nike was obliged to either accept the court's claim construction ruling as the law of the case or to proceed with an interlocutory appeal. Instead, Nike chose to pursue a strategy of distorting the court's claim construction and attempting to lead the jury to an improper interpretation of the claimed invention that would correspond to its proposed, but rejected, claim construction.\textsuperscript{83}

Nevertheless, the court declined to order a new trial on the ground that its "instructions . . . served to obviate any prejudice to Kellogg's case occasioned by Nike's lapses."\textsuperscript{84} The court did, however, rule that Nike's conduct—its "strategy of giving superficial recognition to the court's claim construction rulings, while continuing to press its own interpretation of the claim," combined with its "conduct in asserting and pursuing [its] claim of invalidity," after having sought and obtained dismissal of its invalidity counterclaim on the eve of trial\textsuperscript{85}—constituted "vexatious conduct" warranting a finding of exceptionality under 35 U.S.C. § 285, an award of attorney fees and costs reasonably related to the invalidity claim, and a denial of an award of costs under Fed. R. Civ. P. 54 in favor of Nike, despite the jury's verdict in its favor.\textsuperscript{86} Ultimately, plaintiff Kellogg was awarded in excess of $400,000 in attorney fees and costs on account of defendant's misconduct.\textsuperscript{87} The Federal Circuit summarily affirmed.\textsuperscript{88}

\textsuperscript{80} Id. at *3–6.
\textsuperscript{81} Id. at *11.
\textsuperscript{82} Id.
\textsuperscript{83} Id.
\textsuperscript{84} Id. at 12.
\textsuperscript{85} Id.
\textsuperscript{86} Id. at 12–13.
One of the more exotic reports, of late, of discovery-related misconduct appears in a Special Master's report in patent litigation involving St. Clair Intellectual Property Consultants Inc. and Canon Inc. over digital camera technology. According to the report, Canon had a consulting agreement with a third party, Mirage Systems, Inc., under which "Mirage agreed to help Canon establish that Mirage was the rightful owner of the patents at issue in the case, and not to assert those patents against Canon" in exchange for a payment (from Canon to Mirage) of $75,000, in addition to reimbursements for expenses and "lost time," for a total of $167,693.97. Yet in the litigation, Mirage was "a fact witness." The report quotes the trial judge's take on the arrangement, as follows: "My interpretation would be possibly... you paid the guy $75,000 to show up and say he owns the patents... it sounds like you paid him $75,000 to come and say what you wanted." Moreover, attorneys for St. Clair asserted that Canon improperly failed to disclose the agreement during discovery, and the Special Master concluded that that failure was "unjustified and fraudulent." As a result, the Special Master recommended the revocation of the pro hac vice admissions of Canon's counsel, as well as a ban on the participation of that firm in future proceedings in the matter at hand.

III. SANCTIONS AWARD REVERSALS

The above-summarized decisions illustrate that recent IP cases have involved a wide range of sanctioned conduct. More examples follow. However, in each of the following cases, the sanctions order was subsequently reversed or revised, either on reconsideration or appeal. Some questions raised by these decisions are explored below. But first, the decisions are summarized.

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held that plaintiff "Kellogg was a prevailing party with respect to [Nike's] invalidity counterclaim." Id. at *1.
90 Id., supra note 89.
91 Id.
92 Id.
93 Id.
94 Id.
A. Qualcomm Inc. v. Broadcom Corp.

The challenges of discovery compliance and of detecting non-compliance are well-known.95 The complexities, burdens, and opportunities associated with electronic discovery have multiplied those challenges.96 Recent orders sanctioning parties and counsel for discovery-related misconduct in IP cases illustrate the power of the temptation to withhold damaging information—electronic or not.

The serious nature of the misconduct at issue and the magnitude of the sanctions award in Qualcomm Inc. v. Broadcom Corp.97 were both eye-popping. On January 7, 2008, the United States District Court for the Southern District of California issued an order finding that Qualcomm had “intentionally withheld tens of thousands of documents . . . requested in discovery”—documents which “directly contradicted a key argument advanced by Qualcomm in pretrial motions and throughout trial and supported a defense asserted by Broadcom.”98 It also found that “six attorneys assisted Qualcomm in withholding the critical documents by failing to conduct a reasonable inquiry into the adequacy of Qualcomm’s document production and by ignoring warning signs, which indicated that the document search was not thorough and that Qualcomm’s document production was not complete.”99 The court imposed monetary sanctions on Qualcomm in the amount of $8.5 million,100 and referred the attorneys to the California State Bar for investigation and possible discipline.101

A critical issue in the case was whether Qualcomm waived its right to enforce its patents against Broadcom by participating in a technology standards-setting organization known as the “JVT.”102 In its opinion affirming the trial court’s finding that Qualcomm’s litigation misconduct was sufficient justification for its exceptional case determination,103 the Federal Circuit described the conduct at issue as follows:

Throughout discovery, motions practice, trial, and even post-trial,
Qualcomm adamantly maintained that it did not participate in the JVT during development of the [relevant technology] standard. Despite numerous requests for production and interrogatories requesting documents relating to Qualcomm’s JVT participation prior to adoption of the . . . standard, Qualcomm repeatedly represented to the court that it had no such documents or emails. On January 24, 2007, however, one of the last days of trial, a Qualcomm witness testified that she had emails that Qualcomm previously claimed did not exist. Later that day, Qualcomm produced twenty-one emails belonging to that witness. As the district court later discovered, these emails were just the “tip of the iceberg,” as over two hundred thousand more pages of emails and electronic documents were produced post-trial. . . . The district court later determined that these documents and emails “indisputably demonstrate that Qualcomm participated in the JVT from as early as January 2002, that Qualcomm witnesses . . . and other engineers were all aware of and a part of this participation, and that Qualcomm knowingly attempted in trial to continue the concealment of evidence.”

On April 2, 2010, however, after granting the six attorneys “an almost unlimited opportunity to conduct discovery and to present new facts,” the trial court decided not to impose sanctions on the six attorneys, concluding that they “made significant efforts to comply with their discovery obligations.” It maintained, however, that “this massive discovery failure resulted from significant mistakes, oversights, and miscommunication on the part of both outside counsel and Qualcomm employees,” and summarized a number of those errors in its Order Declining to Impose Sanctions Against the Responding Attorneys and Dissolving the Order to Show Cause, including:

- “[A]n incredible breakdown in communication . . . permeat[ing] all of the relationships” among the involved Qualcomm employees, legal staff, and outside counsel;
- No evidence “that either in-house lawyers or outside counsel met in person with the appropriate Qualcomm engineers . . . at the beginning of the case to explain the legal issues and discuss appropriate document collection”;

104 Id. at 1009 (internal citations omitted).
106 Id. at *2.
107 Id.
108 Id.
Trial Lawyers in Trouble

Outside counsel’s failure to “obtain sufficient information from any source to understand how Qualcomm’s computer system is organized”; and

The failure of any attorney to take “supervisory responsibility for verifying that the necessary discovery had been conducted.”

However, the court found that “[t]hese failures were exacerbated by an incredible lack of candor on the part of the principal Qualcomm employees[.]” and that the attorneys “did repeatedly try to determine whether Qualcomm had participated in the JVT proceedings during the relevant time . . . .” Thus, it concluded that the attorney responsible for signing the discovery responses did so “after a reasonable, although flawed, inquiry,” and found that “the involved attorneys did not act in bad faith.” Accordingly, the court declined to impose sanctions on them under either Fed. R. Civ. P. 26 or the court’s inherent authority.

The court’s order declining to impose sanctions no doubt came as a great relief to the lawyers involved in this case. However, for them the experience has been life-altering, and the saga should serve as a chilling reminder for litigation counsel of the seriousness of their discovery responsibilities.

B. Clear Value, Inc. v. Pearl River Polymers, Inc.

In Clear Value, Inc. v. Pearl River Polymers, Inc., the Federal Circuit agreed that the plaintiffs and their attorney had engaged in sanctionable
conduct, but reversed the non-monetary sanctions and significantly reduced the monetary sanctions awarded by the district court.\footnote{Id. at 1294.} Patent owner Richard Haase and his exclusive licensee, ClearValue, sued Pearl River and several other defendants for patent infringement and trade secret misappropriation.\footnote{Id. at 1295.} Whether the wastewater treatment polymers Pearl River sold had molecular weights over one million was a "critical issue" in the case,\footnote{Id. at 1296.} and the defendants sought the production of the results of any molecular weight tests the plaintiffs had run on Pearl River's products.\footnote{Id. at 1297.} The plaintiffs objected to the request as burdensome and "seeking work product or trial preparation materials that are not discoverable under the Federal Rules of Civil Procedure," \footnote{Id.} but did not provide the defendants with a privilege log listing any test results.\footnote{Id. at 1298.} Ultimately, it came to light that the plaintiffs had tested Pearl River's products, and that those products had a molecular weight of "substantially below the one million limitation" in the patent at issue.\footnote{Id. at 1299.} Further, the plaintiffs' expert had reviewed the test results.\footnote{Id.} Thus, no work product protection applied.\footnote{Id. at 1300.} And, the plaintiffs' counsel, Gordon Waggett, had been a party to the email exchanges between the patent owner and the expert relating to the test results.\footnote{Id. at 1301.}

According to the trial court, only the "ultimate sanction" of dismissal of the plaintiffs' claims was appropriate, given the critical nature of the withheld information and the fact that the information was suppressed for over a year and a half.\footnote{Id. at 1302.} It struck the plaintiffs' pleadings, entered judgment for the defendants, and awarded the defendants attorney's fees, costs, and expenses in excess of $2.7 million incurred over the period of the violation,\footnote{Id.} including under Fed. R. Civ. P. 26 and 37,\footnote{Id.} the court's inherent authority,\footnote{35 U.S.C. § 285.} and 28 U.S.C. § 1920.\footnote{28 U.S.C. § 1920.}

\footnote{Id. Fed. R. Civ. P. 37(c)(1) provides in relevant part:

If a party fails to provide information . . . as required by Rule 26(a) or (e), . . . the court, on motion and after giving an opportunity to be heard:

(A) may order payment of the reasonable expenses, including attorney's fees, caused by}
In so holding, the trial court implicitly rejected the attorney’s excuse “that he had a ‘total disconnect’ with respect to the testing . . . ‘was sorry’ for not producing the test results . . . because he now appreciated he was ‘obviously wrong’ and that the results were ‘not work product’” and that “he was ‘rusty’ and had ‘been out of the litigation loop’ for almost nine years.” Undermining this testimony, in the view of the trial court, was the fact that following the email exchange between the patent owner and the expert, on which the attorney was copied, the attorney wrote to the patent owner and instructed him to “stop copying [the expert] to ‘best preserve priv/work product.’”

Nonetheless, the Federal Circuit reversed the non-monetary sanctions and eliminated the monetary sanctions but for the $121,107.38 in attorney’s fees under Rules 26 and 37. It concluded that the conduct at issue was “less egregious” than discovery violations the Fifth Circuit had held did not justify dismissal. Consequently, the defendants were no longer “prevailing part[ies]” eligible for attorney’s fees under 35 U.S.C. § 285 and costs under 28 U.S.C. § 1920 and, accordingly, those awards were reversed, as well. However, in upholding the district court’s ruling that the conduct of the plaintiffs and their counsel was sanctionable, the Federal Circuit specifically identified the violation (“they withheld test results reviewed by a testifying expert”); deferred to the trial court’s evaluation regarding the credibility of the patent owner, the expert, and the attorney; and upheld the court’s “finding that the failure to disclose was not ‘harmless.’”

129 Clear Value, Inc., 560 F.3d at 1301. See also supra note 21 and accompanying text.
132 See Clear Value, Inc., 560 F.3d at 1298.
133 Id. at 1298–1300.
134 Id. at 1294. Further, without condoning his discovery misconduct, the Federal Circuit exonerated the attorney for co-responsibility for the remaining monetary sanctions on the ground that he lacked the ability to pay. Id. at 1305–06. Judge Newman disagreed with this decision. Id. at 1311 (Newman, J., dissenting in part).
135 Id. at 1308. The Federal Circuit reviews discovery sanctions decisions under the applicable regional circuit law. Id. at 1304 (citing Transclean Corp. v. Bridgewood Servs., Inc., 290 F.3d 1364, 1370 (Fed. Cir. 2002)).
136 Id. at 1309–10.
137 Id. at 1304.
In *Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersystems GmbH*, the trial court assessed nearly $4.4 million in attorney fees, costs, and interest against Medtronic and the firm of McDermott Will & Emery (MWE), jointly and severally, "to enable BrainLAB to recover the reasonable costs of defending itself in [the] litigation after a defense should no longer have been necessary." The court held that Medtronic engaged in vexatious litigation, justifying an award of attorney fees under 35 U.S.C. § 285, and ruled that fees could be assessed against the firm under the court's inherent authority, if not under 28 U.S.C. § 1927.

The court described the misconduct as follows:

After receiving the Court’s claims construction ruling, Medtronic and the MWE lawyers had a duty to reexamine this litigation and make an objective assessment of the validity of Medtronic’s claims that BrainLAB’s products infringed the patent claims as construed. They were obliged to accept those rulings as the law of the case and proceed with an appeal by requesting certification of an interlocutory appeal or conceding the [defendants’] summary judgment motions. Rather than accept that the claims construction rulings stripped the merits from this case, counsel chose to pursue a strategy of distorting those rulings, misdirecting the jury to a different reading of the claim language, and blatantly presenting the jury with a product comparison contrary to established law and the Court’s cautionary instructions. Additionally, they deceived the jury into accepting the statements in BrainLAB’s FDA application as an admission of patent infringement. Capping all of this was a closing argument that misdirected the jury’s attention from the focus of the case, carefully crafted to avoid the Court’s instructions. That argument distorted both the evidence and the law, misleading the jury into a plaintiffs’ verdict.

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139 *Id.* at *3.
140 *Id.* at *2.
141 *Id.* at *5-10.
142 *Id.* at *9-10.
143 *Id.* at *5.
Although the court recognized that it had erred in declining to grant the defendants’ motions for summary judgment, it clearly did not welcome what it described as Medtronic’s and MWE’s position “that the Court had the obligation to stop any trial conduct that stepped over the line of zealous advocacy [and] that they should not be held responsible for what they were able to get away with during the trial presentation.” The court accused Medtronic and its counsel of capitalizing on the particular complexities of patent litigation:

The conduct of Medtronic and its counsel constituted much more than a few instances of overstepping during a hard-fought battle. This case involved complicated technology. Patent law is complex and not intuitive to the average juror. Parties and counsel have an obligation to refrain from seeking to take advantage of those complexities by employing misleading strategies. ... Medtronic’s untenable positions and misleading tactics complicated the Court’s task of analyzing the legal issues.

The Federal Circuit reversed on appeal, however. The court considered each ground the trial court cited for its finding that the case was exceptional under 35 U.S.C. § 285, and held that none could support that finding. It concluded that “[b]ecause ... it was not unreasonable for Medtronic to seek relief even in light of the court’s claim construction,” the trial court’s ruling that MWE should be jointly liable for the sanctions award under 28 U.S.C. § 1927 “a fortiori” could not stand. According to the court, “[e]ven if [MWE] had concluded that Medtronic’s prospects for ultimately prevailing in the litigation were significantly diminished by the court’s claim construction order, it was not unreasonable for [MWE] to continue to press its client’s case in light of the arguments that remained available to it.” In so ruling, the court even cited authority suggesting that MWE was obligated to so continue.

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144 Id. at *4 (“In retrospect, [the defendants’ summary judgment] motions should have been granted, saving BrainLAB the cost of a 13-day jury trial.”). See also id. at *3 (“What was apparent to defendants’ counsel and should have been equally obvious to Medtronic’s principal lawyers was not perceived by the Court.”).
145 Id. at *5.
146 Id. at *9.
148 Id. at 953-65.
149 Id. at 965.
150 Id.
151 Id. (quoting Mezibov v. Allen, 411 F.3d 712, 719 (6th Cir. 2005) (“[A]n attorney is ethically bound to make reasonable arguments on behalf of his client, even if the attorney disagrees with them.”)).
trial court's "judgment that counsel's use of the FDA submission evidence was improper," the Federal Circuit held that such use "was not sufficiently egregious to justify the imposition of sanctions under the court's inherent authority," citing the Supreme Court's admonition that "a court's inherent powers 'must be exercised with restraint and discretion.'" 152

D. DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.

About two weeks after the above-discussed ruling against Medtronic, a different court assessed attorney fees (under 35 U.S.C. § 285) and a $10 million penalty (under the court's inherent authority) against Medtronic for what it regarded as a similar abuse: "[seeking] to take advantage of the technical and legal complexities inherent in [the] case." 153 This time, the Medtronic companies were defending a patent case, and the court cited their "failure to accept the claim construction governing this case"; adoption of a "defense to infringement ... wholly based on an attempt to obscure, evade, or minimize the Federal Circuit's construction of the patent-in-suit"; 154 and attempt "to mislead both the jury and the Court . . . ." 155

The Federal Circuit, however, reversed the attorney fees and sanctions award, attributing the trial court's finding of exceptionality (based on the litigation conduct at issue) to a misunderstanding of the relevant law. 156 In overturning the district court's ruling, the appellate panel distinguished between the mere assertion of a defense and the manner in which the defense is litigated. 157

E. Montgomery v. eTreppid Technologies, LLC

The conduct at issue in each of the cases described above appears to have been motivated by a desire to win the client's case. The sanctions in Montgomery v. eTreppid Technologies, LLC, 158 on the other hand, grew out

152 Id. at 966 (quoting Chambers v. NASCO, Inc., 501 U.S. 32, 44 (1991)).
154 Id. at 225.
155 Id. at 227.
157 See id. at 1339.
of satellite litigation apparently pursued to achieve tactical advantage in a dispute with the client's former counsel over fees.159

After attorney Michael Flynn withdrew as counsel for Dennis Montgomery in Montgomery's dispute with eTreppid over Montgomery's alleged misappropriation of eTreppid's trade secrets and eTreppid's alleged copyright infringement,160 the Liner Grode Stein Yankelevitz Regenstreif & Taylor LLP firm (Liner Grode)161 and two of its attorneys, Deborah Klar and Teri Pham, stepped in to continue the Montgomery representation.162

The two key facts underlying the ensuing complications are that (1) Mr. Flynn sought "past due attorney's fees and costs in excess of $635,000, and . . . Montgomery . . . did not wish to pay him[,]" so Mr. Flynn filed a retaining lien under Nevada law; and (2) the United States, which had initiated search warrant proceedings against Montgomery, "had invoked the military and state secrets privilege . . . ."163 As a result, the presiding Nevada magistrate judge had set a hearing to consider Flynn's withdrawal motion and issues relating to the return of Montgomery's client files in light of the fee dispute and the government's state secrets assertion.164

Meanwhile, knowing these facts,165 Ms. Klar and/or Ms. Pham initiated a series of proceedings and took other steps the court ultimately held to justify the imposition of monetary sanctions against them, Liner Grode, and Montgomery in the amount of $204,411; the referral of the two attorneys to the Nevada State Bar and California State Bar; and "additional sanctions" in the form of community legal service obligations upon them.166 Those actions included:

- Filing "a complaint for preliminary and injunctive relief in Los Angeles Superior Court on behalf of [Montgomery]" alleging that Mr. Flynn's refusal to turn over client files was unjustified and violated the California Rules of Professional Conduct;167

159 Montgomery, 2009 WL 910739, at *25.
160 Id. at *1-6.
161 The Liner Grode firm was known as Liner Yankelevitz Sunshine Regenstreif, LLP at the inception of the litigation in this case. Id. at *1 & n.1.
162 Id. at *1, *6.
163 Id. at *3, *6-8.
164 Id. at *8.
165 Id.
166 Id. at *36. The court sanctioned Mr. Montgomery pursuant to its inherent power, and Ms. Klar, Ms. Pham, and the Liner firm pursuant to its inherent power and 28 U.S.C. § 1927. Id. It required Ms. Klar and Ms. Pham to perform 200 and 100 hours of pro bono legal services, respectively. Id.
167 Id. at *7-8.
• Filing a “notice of objection to [Mr. Flynn’s] retaining lien . . . on the ground that the California Superior Court had jurisdiction over the matter because they had already filed [that] complaint”; 168
• Submitting “an application for arbitration of a fee dispute to the San Diego County Bar Association [without] disclosing any information whatsoever concerning the pending proceedings” regarding the client file issues in the Nevada district court; 169
• Drafting (for Mr. Montgomery) and filing a declaration falsely stating that Mr. Montgomery understood Mr. Flynn to be “licensed to practice only in Massachusetts”; 170
• Filing “an ex parte application for writ of possession in the Los Angeles Superior Court proceedings” including representations inconsistent with statements previously made in the Nevada district court; 171
• Submitting a “request for investigation of Mr. Flynn with the Massachusetts Bar Counsel,” where Flynn was licensed, without disclosing, inter alia, that Flynn had been admitted in Nevada; 172 and
• Continuing to pursue relief in the California court notwithstanding the fact that the Nevada court had “not only reaffirmed its jurisdiction over the client files, but also formally retained jurisdiction over the fee dispute.” 173

168 Id. at *9.
169 Id. at *10.
170 Id. at *10–13. This is important because Mr. Flynn had been admitted pro hac vice in Nevada, in Mr. Montgomery’s presence, and this fact undermined the efforts on Montgomery’s behalf to defeat Flynn’s retaining lien. See id. at *12.
171 Id. at *13–14.
172 Id. at *15–16.
173 Id. at *17–20. In addition, the Nevada court found that “Ms. Pham made several intentional misrepresentations” before the California court:

She told the court that the California Superior Court was the only court that had jurisdiction to decide whether the files should be turned over to the Liner firm. This is not true. She told the court that the Montgomery parties had not had an opportunity to argue which state’s law should apply as it concerns the client files. This is not true. . . . Ms. Pham told the [California court] that this Court had not taken jurisdiction over the matter of the client files. This is not true. . . . Ms. Pham told the [California court] that this court misapprehended the nature of the writ of possession proceedings . . . . This is not true.

Id. at *20 (citations omitted).
The magistrate concluded that the above-described conduct was the manifestation of a "litigation strategy to insure—through any means possible—that Mr. Flynn would never be paid and to crush him into submission in the process." She found:

[T]here is clear and convincing evidence that Ms. Klar and Ms. Pham acted in bad faith or conduct tantamount to bad faith with the intention to undermine this court's orders for the improper purpose of obtaining a more favorable forum for resolution of the fee dispute and the turnover of the client files. Ms. Klar and Ms. Pham willfully abused the judicial processes in this court and elsewhere, and they did so to delay or disrupt this litigation to gain a tactical advantage. ... As a result of their conduct, Ms. Klar and Ms. Pham multiplied these proceedings, and they did so unreasonably and vexatiously, resulting in an increase in the cost of the proceedings to Mr. Flynn and a tremendous burden on the court to sort through this byzantine web of misconduct.

That was just the magistrate's introduction to her sanctions analysis. She continued for several pages, commenting on Ms. Klar's "abdicat[ion of] her duties to the court and the attorneys she supervised by engaging in a consistent pattern of gamesmanship, misrepresentations, and outright contempt of this court and its orders[,]" and her "unrelenting ... campaign to achieve her desired end ... at any cost to her client, to her junior partner, to the Liner firm, to Mr. Flynn, and to the court." As to Ms. Pham—the magistrate concluded that:

[She] was so focused on her assigned tasks—to remove the fee dispute and turnover of the client files from [the Nevada] court's jurisdiction—that she suspended her own independent judgment and failed to critically consider any legal, factual, or ethical impediments to her assignments. ... As a result, [she] ... engaged in a consistent pattern of material misrepresentations and the omissions of material facts from her court papers, oral arguments, and bar complaints. Conveying half truths and only part of the record in matters is a misrepresentation and a breach of her ethical duties as a lawyer.

Finally, regarding the firm, the magistrate held: "Ms. Klar was allowed to operate in the Liner firm unchecked and unquestioned ... [T]he Liner
firm acquiesced to or willingly carried out Ms. Klar’s litigation strategy[,] and was therefore also eligible for sanctions. 178

Subsequently, upon consideration of the sanctioned firm’s and attorneys’ objections to the magistrate’s ruling, the district judge reversed the sanctions order as to each “without prejudice to any further proceedings consistent with [the district judge’s] order with respect to Flynn’s motion for sanctions.” 179 As to each of Liner Grode, Ms. Pham, and Ms. Klar, however, the reversals were not based on the merits of the magistrate’s findings that the conduct at issue was sanctionable. 180 Instead, as to Liner Grode, the district judge held that the magistrate had imposed sanctions on Liner Grode only under 28 U.S.C. § 1927, 181 and that that provision does not apply to law firms. 182 The district judge reversed the sanctions against Ms. Pham because “the Magistrate Judge’s order setting the evidentiary hearing did not advise Pham that she may be subject to sanctions personally[,]” 183 and therefore that the magistrate “did not provide adequate notice to Pham prior to imposing the sanctions in this matter[,]” 184 and similarly concluded as to Ms. Klar. 185

Ultimately, the parties agreed to a settlement on the issue of sanctions while appeal was pending before the U.S. Court of Appeals for the Ninth Circuit. 186 In accordance with the Ninth Circuit’s order approving the settlement, the district court ordered the sanctions proceedings against Ms. Klar, Ms. Pham, and Liner Grode terminated. 187

F. Wolters Kluwer Financial Services Inc. v. Scivantage

The trial court in Wolters Kluwer Financial Services Inc. v. Scivantage 188 also imposed sanctions on two attorneys as well as their firm,
although the order was reversed as to the firm and one of the attorneys on appeal.\textsuperscript{188} The relevant facts are as follows: the Dorsey & Whitney, LLP firm (Dorsey) filed suit on behalf of Wolters Kluwer against Scivantage and four individuals in the Southern District of New York in March 2007.\textsuperscript{189} A confidentiality order entered during discovery provided that certain information, including the documents at issue in this case, “shall not be used [in] any other litigation proceeding,” and that the district court would retain jurisdiction to enforce those limitations.\textsuperscript{190}

After the defendants moved to dismiss for lack of personal jurisdiction, the plaintiff decided to voluntarily dismiss the New York action and to refile in the District of Massachusetts.\textsuperscript{191} However, the Dorsey attorneys working on the case—Kristan Peters and Marc Reiner—did not mention the pending dismissal during a subsequent conference call with the court and opposing counsel, and Mr. Reiner mailed (instead of emailing) notice of the dismissal to opposing counsel after Ms. Peters instructed him to file the motion (during or shortly after that conference call).\textsuperscript{192} Ms. Peters subsequently filed a motion for temporary injunctive relief in the Massachusetts court.\textsuperscript{193} Despite the New York court’s confidentiality order, she included 115 pages of materials covered by that order with the temporary injunction motion in Massachusetts, and delayed in returning discovery material to the defendants.\textsuperscript{194}

The defendants moved for sanctions, but then settled with the plaintiff, and withdrew the sanctions motion.\textsuperscript{195} Southern District Judge Harold Baer, Jr., however, was clearly not amused. He issued a 129 page order\textsuperscript{196} decrying the “erosion of civility” in litigation practice,\textsuperscript{197} detailing the entire (brief, but highly contentious) history of the case,\textsuperscript{198} and ultimately imposing non-monetary sanctions, as follows:

\begin{footnotesize}
\textsuperscript{188} Wolters Kluwer Fin. Servs., Inc. v. Scivantage, 564 F.3d 110, 119 (2d Cir. 2009).
\textsuperscript{189} Id. at 112.
\textsuperscript{190} Id. at 113.
\textsuperscript{191} Id.
\textsuperscript{192} Id.
\textsuperscript{193} Id.
\textsuperscript{194} Id.
\textsuperscript{195} Id.
\textsuperscript{197} Id. at 451.
\textsuperscript{198} Id. at 452–536.
\end{footnotesize}
Against Dorsey for (1) voluntarily dismissing the New York action and (2) using discovery materials in the Massachusetts action; 199

Against Mr. Reiner for (1) “cancelling a deposition on the date the suit was voluntarily dismissed” and (2) “sending notice of the dismissal by mail but not electronically”; 200

Twenty-four separate sanctions against Ms. Peters, including for:

1. A misleading statement in the complaint; 201
2. Statements—“made in bad faith for an improper purpose”—at the temporary restraining order hearing in the New York action; 202
3. A letter containing what the court regarded as frivolous discovery-related arguments; 203
4. A declaration in which, the court found, she had “use[d a] semi-colon to provide a misleading interpretation of [the judge’s emergency motion]”; 204
5. Conduct (“attempt[ing] to create a false record,” and a “meritless” contention on the record) at a deposition; 205
6. Disclosure of “information from an ‘attorneys’ eyes only’ deposition to an employee of her client”; 206
7. “[B]ad faith” threats of sanctions and contempt motions at another deposition; 207
8. “At various times in these depositions, . . . refus[ing] to show witnesses documents from which she quoted, show[ing] documents to witnesses from across the table, refus[ing] to provide copies of documents to counsel, refus[ing] to allow witnesses to take breaks, and threaten[ing] to call security when opposing counsel stated his intention to approach a Magistrate with a discovery dispute”; 208

199 Wolters Kluwer, 564 F.3d at 114.
200 Id. at 115.
201 Id. at 115.
203 Id. at 541-42.
204 Id. at 542.
205 Id.
206 Id. at 542-43.
207 Id. at 543.
208 Id.
(9) A meritless motion for contempt and sanctions;\(^{209}\)

(10) Conduct “intend[ing] to mislead [the] Court by implying that [d]efendants . . . acted in bad [f]aith”;\(^{210}\)

(11) Making “misleading and inaccurate” statements “to the Court that [d]efendants failed to comply with [their discovery obligations]”;\(^{211}\)

(12) Making “misleading and inaccurate” statements “to opposing counsel and the Court” regarding her client’s discovery production “for the improper purpose of gaining an advantage by procuring [d]efendant’s discovery before [p]laintiff provided meaningful discovery of its own”;\(^{212}\)

(13) Making false statements to the court regarding the availability of witnesses for deposition and failing to appear for depositions;\(^{213}\)

(14) Committing “a fraud on the Court and on the [d]efendant” by participating in a conference call with the court in which “the subject of scheduling future depositions was discussed[,]” while knowing “at that point that those depositions would never happen” because the decision had been made to voluntarily dismiss the case;\(^{214}\)

(15) Copying documents the defendants had previously produced in discovery after the action had been dismissed “in bad faith, with the improper purpose of the intention to use them in Massachusetts”;\(^{215}\)

(16) Misleading the court “as to her knowledge of the state of the transcripts” following the court’s order that the transcripts be returned by a set date and time;\(^{216}\)

(17) “[H]a[v]ing the audacity to order additional copies [of deposition transcripts] from the court reporter . . . in blatant and intentional disregard of [the] Court’s order . . . to return all the transcripts”;\(^{217}\)

\(^{209}\) Id. at 544.

\(^{210}\) Id.

\(^{211}\) Id.

\(^{212}\) Id.

\(^{213}\) Id. at 545.

\(^{214}\) Id. at 546.

\(^{215}\) Id. at 547.

\(^{216}\) Id.

\(^{217}\) Id. at 548.
(18) "[U]s[ing] the transcripts in a bad-faith effort for the improper purpose of gaining advantage (and expedient relief) in a new court after she had ‘judge-shopped,’ and after she had gained extensive discovery without providing any discovery of her own, and in an effort to have that Court eviscerate the Confidentiality Order that this Court had entered to govern discovery produced in this litigation (which remained in force after this litigation)"; and

(19) Sending emails to the court constituting “a transparent attempt to convince [the] Court to wait on any ruling [regarding transcripts in Dorsey’s possession] until, Ms. Peters hoped, the Massachusetts Court might eviscerate the Confidentiality Order . . .”219

The district court’s language obviously reflects tremendous frustration with the conduct of counsel.220

On appeal, the Second Circuit held that the sanctions against the firm and against Mr. Reiner—the junior partner on the case—could not stand.221 The court noted that voluntary dismissal under Fed. R. Civ. P. 41 is a matter of right under the circumstances of this case, and therefore that the firm was entitled to invoke dismissal even “to flee the jurisdiction or the judge . . .”222 It further held, as to the firm, that “nothing in the record suggests that the decision to permit the Massachusetts filing [of the deposition transcripts covered by the New York confidentiality order] was made by the firm in bad faith or for any improper purpose.”223 As to Mr. Reiner, the appeals panel ruled that the misdirection he employed when cancelling the deposition in question was not sanctionable,224 nor was sending opposing counsel the notice of dismissal by mail, as “the rules do not make electronic

218 Id.
219 Id. at 549.
220 The district court declined to impose financial sanctions, despite what it described as its “ample cause and authority to” do so, because the defendants’ sanctions motion was withdrawn after the parties settled, and because the court was “satisfied that the costs incurred by the parties—both financial and emotional—in this case [were] significant and sufficient under the circumstances.” Id. at 540.
222 Id. at 115.
223 Id. (noting that the partner supervising Peters’s management of the case relied on Peters’s representation to him that the use of the materials in question was not barred by the Order).
224 Id. at 116 (noting that “the cancellation of the deposition was done for the purpose of concealment, but that was the intent of Peters, not Reiner”).
service a requirement.” The court, however, affirmed the district court’s imposition of sanctions against Ms. Peters.

IV. THE ETHICS FALLOUT FROM MISCONDUCT

The cases summarized above illustrate that trial judges and opposing litigants and counsel are motivated by a variety of concerns in imposing and advocating for sanctions. Obviously, litigants sometimes pursue sanctions for improper or illegitimate reasons, such as to prejudice the trial judge against the opponent, or to intimidate or increase litigation expenses for the other side. But concerns about compliance with discovery obligations; jury confusion; respect for court orders, for example, orders in limine and on claim construction; and abuse of process are clearly appropriate. For example, in each of Medtronic, DePuy, and Kellogg, the trial courts were concerned about the potential for jury confusion regarding complex legal issues. And, as noted above, patent litigators have also recently drawn the ire of courts for transparent appeals to jurors consisting of statements completely unrelated to the merits, but clearly designed to prejudice the jury against their clients’ opponents.

225 Id.
226 Id. at 119.
227 See FED. R. CIV. P. 11 advisory committee’s note (listing improper uses for making or threatening Rule 11 motions for sanctions).
228 Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc., 567 F.3d 1314, 1332 (Fed. Cir. 2009) (“If the district court had admitted the 2004 ruling into evidence, however, it would have had to explain to the jury that the court had previously decided the infringement issue, that the decision was overruled in part with regard to equivalence but not literal infringement, and that the jury must ignore this evidence when deciding equivalence for itself but may later consider it when assessing damages. The risk of jury confusion is apparent.”); Kellogg v. Nike, Inc., No. 8:07CV70, 2009 WL 3165529, at *11 (D. Neb. Sept. 30, 2009) (“The record is replete with Nike’s attempts to confuse and obfuscate the issues . . . .”); Medtronic Navigation, Inc. v. BrainLAB Medizinische Computersystems GmbH, No. 98-cv-01072-RPM, 2008 WL 410413, at *5 (D. Col. Feb. 12, 2008) (finding that Medtronic and its counsel engaged in conduct that misled the jury).
229 See, e.g., Commil USA, LLC v. Cisco Sys., Inc., No. 2:07-CV-341, 2011 WL 738871, at *1 (E.D. Tex. Feb. 23, 2011) (granting plaintiff’s new trial motion after concluding that defendant’s “counsel’s statements regarding religious preference were improper and that the jury’s verdict was inconsistent with substantial justice”); 4i Ltd. P’ship v. Microsoft Corp., 670 F. Supp. 2d 568, 595, 608 (E.D. Tex. 2009) (concluding that defendant’s counsel’s litigation conduct “persist[ing] in improperly trying to equate [the plaintiff’s] infringement case with the current national banking crisis implying that [the plaintiff] was a banker seeking a ‘bailout’” also supported an enhanced damages award for plaintiff); O2 Micro Int’l Ltd. v. Beyond Innovation Tech., Case No. 2:04-CV-32-CE, 2009 WL 2047617, at *2-3 (E.D. Tex. July 10, 2009) (Mistrial and sanctions imposed on defendant for trying to prejudice jurors against the plaintiff by asking them if they had “a problem with a company that puts its headquarters offshore on a Caribbean island in order to avoid paying U.S. taxes[,]” in violation of an order in limine).
Ensuring fundamental fairness is, ultimately, the responsibility of the trial judge. Moreover, the above case summaries can leave no doubt that the conduct of trial counsel in some cases warrants concern and sometimes sanctions. Given this, and the fact that litigation conduct plays out within the purview of the trial judge, if not right before his or her eyes, it is only appropriate that decisions to sanction are vested in the trial court’s discretion.

That discretion includes the authority to refer litigation counsel to state bar authorities for investigation and potential discipline. For example, as noted above, the initial sanctions rulings in the Qualcomm and Montgomery cases included referrals of the attorneys involved to their respective state bars for investigation and possible discipline. And the Notes of the Advisory Committee regarding the 1993 revision of Fed. R. Civ. P. 11 list “referring the matter to disciplinary authorities” among the sanctions a court may impose for its violation.

There is no question that litigation misconduct can give rise to ethical violations. As ethics expert Thomas Spahn has noted, the courts and ethics officials sometimes differ regarding the propriety of certain litigation conduct. He has found that courts seem to be more tolerant than ethics authorities of “arguably ‘deceptive’ investigative tactics[,]” but “less forgiving than bar officials when considering the scope of lawyers’ obligations to disclose adverse case law.”

With regard to the former, he notes that deceptive investigative conduct—including “hiring investigators to pose as consumers in order to gather evidence of trademark violations and other commercial torts”—could constitute violations of several provisions of the American Bar Association Model Rules of Professional Conduct. Those rules are:

- Rule 1.2 (d): “A lawyer shall not counsel a client to engage, or assist a client, in conduct that the lawyer knows is criminal or fraudulent . . . .”
- Rule 4.1(a): “In the course of representing a client a lawyer shall not knowingly . . . make a false statement of material fact or law to a third person . . . .”

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230 See supra notes 101, 166 and accompanying text.
233 Id.
234 Id.
235 Id.
236 MODEL RULES OF PROF’L CONDUCT R. 1.2(d) (2012).
Rule 5.3(c): "With respect to a nonlawyer employed or retained by or associated with a lawyer . . . a lawyer shall be responsible for conduct of such a person that would be a violation of the Rules of Professional Conduct if engaged in by a lawyer if [the lawyer orders or ratifies the conduct or has knowledge and supervisory authority regarding it].",237 and

Rules 8.4(b) & (c): "It is professional misconduct for a lawyer to . . . commit a criminal act that reflects adversely on the lawyer's honesty, trustworthiness or fitness as a lawyer in other respects [or] engage in conduct involving dishonesty, fraud, deceit or misrepresentation . . . ."238

Spahn notes that although bar associations have approved the use of deception for law enforcement or national security purposes (sometimes relying on "'strained reading[s] of the ethics rules that they choose not to apply in the same way to private lawyers'"), and that a few states have permitted private attorneys to use deception to collect evidence of housing discrimination, courts have been more liberal, including in commercial cases.239 He cites as one example *Gidatex S.r.L. v. Campaniello Imports Ltd.*,240 which involved investigators posing as interior designers and recording conversations with sales employees of a furniture company.241 The court found no violation of the ethics rules' prohibition on ex parte contacts, even while acknowledging that the employees qualified as "represented parties" under the relevant New York rule.242

His counterexample, as noted above, concerns an attorney's duty to disclose adverse legal authority, governed by Model Rule 3.3(a)(2).243 Regarding that obligation, he reports, judges are generally less lenient.244 The rule bars a lawyer from "fail[ing] to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel[]."245 Spahn has traced the history of the ABA's position regarding a lawyer's duty to disclose authority to a tribunal, and notes a "steady

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237 MODEL RULES OF PROF'L CONDUCT R. 5.3(c) (2012).
238 MODEL RULES OF PROF'L CONDUCT R. 8.4(b)-(c) (2012).
239 Habte, supra note 232.
241 Id., supra note 232.
242 Id.
243 Id.
244 Id.
He cites Comment [4] to Model Rule 3.3 as reflecting the ABA’s current view—that counsel need “disclose only ‘directly adverse authority in the controlling jurisdiction.” Some courts, he indicates, apply a standard that goes as far as requiring the disclosure of any authority which would “reasonably be considered important by the judge sitting on the case.”

The ethics rules apply to the other types of litigation conduct discussed above. Accordingly, in all aspects of litigation conduct, whether citing legal authority or employing investigative techniques, responding to discovery requests or contemplating the assertion of claims or defenses, addressing the jury or characterizing the court’s claim construction, careful litigation counsel will endeavor to comply with the most restrictive interpretation of a given requirement. The first step in that analysis is to be familiar with the ethics rules that are particularly relevant to litigation conduct.

In addition to the rules discussed above relating to the disclosure of legal authority to a tribunal and deception, litigation counsel should note the following ethics rules:

- In addition to requiring the disclosure of adverse controlling legal authority, Model Rule 3.3 (“Candor Toward The Tribunal”):
  - Prohibits knowingly making false statements (and requires the correction of material false statements previously made) to a tribunal;
  - Bars the offering of false evidence;
  - Requires remedial measures to prevent a crime or fraud relating to the proceeding; and
  - In an ex parte proceeding, requires the disclosure of known adverse material facts.

- Rule 3.4 (“Fairness To Opposing Party And Counsel”) prohibits:
  - Unlawful destruction or concealment of evidence;
  - Falsification of evidence or witness testimony;
  - Knowing disregard of a tribunal’s rules;
  - Discovery misconduct;

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246 Habte, supra note 232.
247 Id. (quoting MODEL RULES OF PROF’L CONDUCT R. 3.3 cmt. 4 (2012)).
248 Id. (quoting ABA Comm. on Prof. Ethics & Grievances, Formal Op. 280 (1949)).
249 MODEL RULES OF PROF’L CONDUCT R. 3.3 (2012).
Trial Lawyers In Trouble: Litigation Misconduct and Its Ethics Fallout

Chapter 5

2014] Trial Lawyers in Trouble 259

- Alluding at trial to irrelevant or unsupportable matters or, unless testifying as a witness, personally attesting to facts or credibility; and
- Requesting a third party to refrain from voluntarily disclosing relevant information to another party.\(^{250}\)

- Rule 8.4 ("Misconduct") applies generally to lawyer conduct. In addition to proscribing dishonesty, as noted above, Rule 8.4 declares the following to be "professional misconduct":
  - Violating or attempting to violate and knowingly assisting or inducing the violation of the ethics rules;
  - Committing a criminal act implicating the lawyer's honesty, trustworthiness, or fitness for practice; and
  - Engaging in conduct prejudicial to the administration of justice.\(^{251}\)

- Rule 4.2 governs "Communication[s] With Person[s] Represented By Counsel" and prohibits communicating (regarding the subject of a representation) with a represented (by another lawyer) person, absent the other lawyer's consent or legal authorization.\(^{252}\)

- Rule 4.4 relates to "Respect For Rights Of Third Persons."
  - It forbids the use of "means that have no substantial purpose other than to embarrass, delay, or burden a third person"; and
  - It requires a lawyer who receives an inadvertently sent document to "promptly notify the sender."\(^{253}\)

These are some key model ethics rules on which most of the states and many federal courts have based rules governing conduct in the courts.\(^{254}\) But IP litigation also occurs in the USPTO, which has its own set of ethics rules\(^{255}\) and its own disciplinary jurisdiction over registered patent

\(^{250}\) MODEL RULES OF PROF'L CONDUCT R. 3.4 (2012).
\(^{251}\) MODEL RULES OF PROF'L CONDUCT R. 8.4 (2012).
\(^{252}\) MODEL RULES OF PROF'L CONDUCT R. 4.2 (2012).
\(^{255}\) The USPTO has recently adopted a Final rule replacing the prior ABA Model Code-based USPTO ethics rules with a version of the ABA Model Rules of Professional Conduct. See Changes to
practitioners and all persons who practice in USPTO matters. This USPTO jurisdiction affects IP litigators in several ways.

For example, patent practitioners are familiar with the obligation to disclose to the USPTO the existence of litigation involving the subject matter for which a patent is being sought, as well as material information from the litigation. And registered practitioners would expect that misconduct in the course of an ex parte or inter partes proceeding could trigger an investigation by the USPTO Office of Enrollment and Discipline (OED). But what some patent practitioners may not realize is that the USPTO has asserted jurisdiction to investigate and discipline registered practitioners for litigation conduct that occurs outside the USPTO, including in district court and appellate litigation. Examples of such conduct include filing and arguing a frivolous Federal Circuit appeal, and engaging in malicious prosecution and abuse of process in federal district court. Thus, a registered practitioner implicated by a court in the context

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256 35 U.S.C. § 2(b)(2)(D) gives the USPTO the authority to "govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the [USPTO]." 35 U.S.C. § 2(b)(2)(D) (2012).

257 See MANUAL OF PATENT EXAMINING PROCEDURE § 2001.06(c) (2006).

258 Pursuant to 35 U.S.C. § 32:

The [USPTO] Director may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under 35 U.S.C. § 2(b)(Q)(D). . . . The reasons for any such suspension or exclusion shall be duly recorded. The Director shall have the discretion to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section. A proceeding under this section shall be commenced not later than the earlier of either the date that is 10 years after the date on which the misconduct forming the basis for the proceeding occurred, or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D). The United States District Court for the Eastern District of Virginia, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Director upon the petition of the person so refused recognition or so suspended or excluded.


259 See, e.g., Laura Heyne, The Disciplinary Function of the PTO’s Office of General Counsel, 19 J. CONTEMP. LEGAL ISSUES 65, 66 (2010) (noting that "[n]ot all of [the] misconduct [subject to USPTO discipline] relates directly to the representation of others[,] and citing a proceeding involving discipline for failure to report DUI convictions to the USPTO).

260 See infra notes 261–62 and accompanying text.


of an exceptional case attorney fees award or a Fed. R. Civ. P. 11 sanctions grant may subsequently find himself or herself subject to an OED investigation.263

But registered practitioners are not the only persons subject to discipline by the USPTO OED. As noted above, all persons who practice before the USPTO are governed by the USPTO ethics rules and may potentially be called to account before the OED.264 The Patent Act confers upon the USPTO the power to "govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office . . . ."265 Any attorney who is a member in good standing of the highest court of any state is authorized to represent clients before the USPTO in trademark matters.266 Thus, the OED has jurisdiction to investigate and punish violations of the USPTO rules relating to the "Representation of Others Before the Patent and Trademark Office" by attorneys representing clients in trademark matters, including trademark opposition and cancellations proceedings.267

The OED’s FOIA Reading Room268 includes several recent final orders relating to disciplinary proceedings brought against unregistered attorneys who had practiced before the USPTO in trademark matters. Several of these matters involved reciprocal discipline of attorneys who had been disciplined by state bars.269 But one, at least, involved charges of neglect of matters (trademark applications) entrusted to the attorney.270 It is important that attorneys who practice in trademark matters before the USPTO
understand that they, like registered practitioners, are subject to the ethics obligations and jurisdiction of the agency. 271

V. CONCLUSION

Litigation misconduct takes a toll not just on the parties and their counsel. The sanctions orders discussed above evidence the challenges trial judges encounter in the face of aggressive litigation tactics. Several of the orders discussed herein are very lengthy. They reflect, at least in some cases, an enormous investment of work carefully reviewing the record and applying the applicable standards. 272 Plus, sanctions proceedings are high-drama, high-stakes events that potentially evoke emotions in all involved. It is important to acknowledge the “wear and tear” that overly zealous conduct and sanctions litigation inflict on the courts.

In several recent decisions relating to sanctions in IP cases, judges have described their concerns relating to the conduct of parties and counsel before the courts. For example, although concurring in a recent Federal Circuit decision reversing district court sanctions, Judge Lourie wrote separately regarding the potential effect of such reversals on future deliberations by trial judges:

I fully join the thorough opinion by Judge Bryson which carefully analyzes all the panel’s grounds for reversing the district court’s sanctions.

However, the court’s opinion should not be understood as in any way


272 The magistrate judge in the Montgomery case concluded her Order Re: Motions for Sanctions by acknowledging the solemn nature of the court’s disposition. See Montgomery v. eTreppid Techs., LLC, No. 3:06-CV-0056-PMP (VPC), 2009 WL 910739, at *37 (D. Nev. Mar. 31, 2009) (“Apart from depriving a citizen of his or her life, liberty or property, there is no more difficult task for a judge than sanctioning an attorney for misconduct.”), aff’d in part and rev’d in part, Nos. 3:06-CV-0056-PMP-VPC, 3:06-CV-000145-PMP-VPC, 2010 WL 1416771 (D. Nev. Apr. 5, 2010). In further noting that “[t]he court has devoted many, many hours of time in reviewing the papers filed, reading transcripts of relevant hearings, listening to recordings of hearings, and considering carefully the facts and law before it[,]” id., the magistrate also reminded us of another aspect of the costs that attorney misconduct and the associated sanctions proceedings impose on the system—the diversion of precious court time and resources from the merits of disputes. In some cases, of course, the resource drain goes beyond what the courts and the parties invest in satellite sanctions litigation. When the conduct at issue imperils fundamental fairness, an entire new trial may be necessary. Such situations not only prejudice the offender’s opponent; they also injure other parties whose day in court is delayed as a result, as well as the taxpayers who fund the court system. Trial and reviewing courts must also recognize these consequences of litigation misconduct, and should more frequently acknowledge them in sanctions decisions.
impeding the desirability and ability of district court judges to control their courtrooms and ensure that substantive arguments are reasonably based.

Many patent suits are brought these days with little chance of success. Appeals to this court from summary judgments of non-infringement based on claim constructions that are affirmed here are testament to the frequency of non-meritorious claims brought in the district courts. Whether those suits are brought because of poor and non-objective appraisals of plaintiffs' prospects or for less worthy motives I do not know. But district court judges are entirely justified when they encounter frivolous claims and/or excessively hard-ball tactics, in imposing sanctions on offending parties. They are enforcing respect for the courts and the rights of innocent parties to be free of unjustified claims.

In this case, there certainly were a number of instances during the proceedings below where the court felt that counsel had overstepped its bounds with their arguments. We reversed because, as tellingly explained by Judge Bryson, each incident had explanations that the panel believed were exonerating. But our action in this case should not be viewed by district court judges as chilling their taking charge of their courtrooms and ensuring that proper arguments are made against proper opponents.

With those comments, I fully join in the court's opinion and judgment.273

Judge Lourie posed several possible reasons why parties file patent suits that are unlikely to succeed.274 In issuing sanctions in Wolters Kluwer, Judge Harold Baer went further, offering his observations on what he believes underlies misconduct in litigation:

While I am dismayed at the way in which many law firms today approach the practice of law, I realize that for the most part it is none of my business and indeed not the business of the judiciary in general. The fact that partners are at times made and retained for their rainmaking skills and not for their legal skill, that the number of billable hours is not only the alpha and omega of bonuses but that these hours—or at least the ones that count—often exclude pro bono hours, or that who gets credit for originating a piece of business can throw a firm into turmoil and prompt major internecine struggles, or that the bottom line has eclipsed most

274 See id.
everything else for which the practice of law stands or stood to the extent that the practice of law is now frequently described as a business rather than a profession. While decribable these are as I said really not my concern. Rather, it is the fallout from such conduct, some of which we witnessed here, that ineluctably drives some lawyers and some law firms to the kind of conduct that played out before me at this hearing and that then becomes the business of the courts.\textsuperscript{275}

Judge Lourie and Judge Baer seem to agree that whatever the motivations of the responsible parties, the trial courts have a responsibility to police court proceedings and to act to protect the integrity of those proceedings when confronted with inappropriate tactics.

However, even after expressing tremendous frustration and disappointment in the conduct of the counsel in the Montgomery and Wolters Kluwer cases discussed above, each of Nevada District Court Magistrate Judge Cooke and Southern District Court Judge Baer sounded a hopeful note. Magistrate Judge Cooke expressed the “sincere hope that those subject to the sanctions . . . will never repeat this misconduct and that they will renew their professional commitment to abide by the highest ideals of the legal profession and the rule of law.”\textsuperscript{276} Judge Baer further took note of the reality that most lawyers conduct themselves in accordance with those ideals:

On a final note, the reader should be clear that I firmly believe the sentiment expressed in the Craco Report that “the actual level of professionalism brought to bear . . . by thousands of lawyers across the state, in court and office, day in and day out, is extraordinarily high.” I am hopeful that by casting a ray of light on this anomalous and sanctionable behavior the public and the profession will be better served.\textsuperscript{277}

Judge Baer’s confidence in the majority of attorneys is no doubt well-placed. Nonetheless, the decisions summarized herein should serve as sobering examples of how even intelligent, experienced counsel can get caught up in the heat of the battle that is modern intellectual property litigation, the potentially devastating consequences of that conduct, and the importance of knowing and heeding the rules of professional conduct.

\begin{footnotes}
\footnote{Wolters Kluwer Fin. Servs. v. Scivantage, 525 F. Supp. 2d 448, 551 (S.D.N.Y. 2007) (repeating the essence of the more extended commentary with which he introduced his lengthy order (See id. at 449–52)).}
\footnote{Montgomery, 2009 WL 910739, at *37.}
\end{footnotes}