

INTELLECTUAL PROPERTY & *Life Sciences*

The Plague of Inequitable Conduct

A failure to submit every paper related to the prosecution of a patent

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A finding of inequitable conduct invalidates a patent and has become a charge in almost every patent case filed. Originally, inequitable conduct was found in intentional acts by a patentee or a patentee's representatives. But now, under repeated review by courts, inequitable conduct is often found in a failure to submit to the United States Patent and Trademark Office (USPTO) every paper related to the prosecution of a patent, even if only tenuously related.

The doctrine of unenforceability due to inequitable conduct traces its roots to a series of early Supreme Court cases. In *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240 (1933), during exami-

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nation of the patent, the patentee did not disclose to the USPTO a prior use of the invention, and instead, secured an affidavit attesting that the prior use was an abandoned experiment, coaxed others to keep secret the prior use, and suppressed evidence of the prior use. The Court determined that these actions constituted inequitable conduct.

In *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944), the attorney for patentee ghostwrote an article touting the invention as a "revolutionary device." The USPTO issued the patent after the attorney submitted the article. In litigation, the patentee's attorney specifically directed the court's attention to the article. The court quoted extensively from the article and held the patent valid and infringed. In reversing the appellate court's ruling, the Supreme Court found "a deliberately planned and carefully executed scheme to defraud not only the Patent Office, but the Circuit Court of Appeals."

In *Precision Instrument Mfg. v. Automotive Co.*, 324 U.S. 806 (1945), two competitors colluded in providing false testimony to the USPTO. The patentee used the knowledge of the false

testimony to negotiate a series of contracts that heavily favored the patentee. The patentee later sued its competitor for infringement and breach of the contracts. On review, the Court cautioned that patent applicants and their representatives have "an uncompromising duty to report to it all facts concerning possible fraud or inequity underlying the applications in issue." Acknowledging that that "the history of the patents and contracts in issue is steeped in perjury and undisclosed knowledge of perjury," the Court came to the inescapable conclusion that the patentee's suit could not be sustained.

While the Supreme Court has not discussed the doctrine of unenforceability due to inequitable conduct since the 1940s, the Court of Appeals for the Federal Circuit (CAFC) rejected a gross negligence standard. Today, a successful inequitable conduct defense requires clear and convincing evidence that, with respect to the USPTO, the patentee or the patentee's representative affirmatively misrepresented a material fact, failed to disclose material information, or submitted false material information, and that the patentee did so with the intent to deceive. While a court may infer from the circumstances that a patentee or the patentee's represen-

tative acted with intent to deceive, intent to withhold information is insufficient. If both elements are satisfied, the court then weighs the evidence to determine whether the patent is unenforceable.

The charge of inequitable conduct now attaches to 37 C.F.R. Section 1.56, the duty of disclosure. Under this rule, each individual associated with the filing of a patent application has a duty of candor and good faith in dealing with the USPTO. In a series of cases, the CAFC has used a practitioner's failure to disclose to the USPTO information regarding the existence and prosecution of co-pending domestic and international patent applications to expand the reach of inequitable conduct.

In *Dayco Products Inc. v. Total Containment, Inc.*, 329 F.3d 1358 (Fed. Cir. 2003), the patentee had two families of applications, the '196 family and the '161 family, each of which was pending before a different examiner. During the prosecution of the '161 family, the patentee failed to disclose to the examiner (1) the existence of the '196 family, (2) a prior art reference cited in the '196 family, and (3) a different examiner's rejection of claims in the '196 family that were substantially similar to claims in the '161 family. In a summary judgment ruling holding the patents unenforceable, the court concluded that these omissions were material and that the patentee acted with intent to deceive. On appeal, the CAFC reversed the grant of summary judgment for inequitable conduct, but confirmed that both the existence of the '196 family and a different examiner's adverse decision regarding the substantially similar claims satisfied the threshold of materiality and should have been disclosed to the examiner of the '161 family.

In *McKesson Info. Solutions Inc. v. Bridge Medical, Inc.*, 287 F.3d 897 (Fed. Cir. 2007), during examination of the patent, the patentee did not disclose to a first examiner three pieces of information: (1) a prior art reference used to reject claims in a related application, (2) a different examiner's rejection of claims in a related

application, and (3) a notice of allowance in a related application issued by the first examiner. The district court relied on circumstantial evidence and the lack of a credible explanation for the patentee's nondisclosure to conclude that the patentee acted with intent to deceive and to hold the patent unenforceable. In affirming, the CAFC explained that the appropriate test for materiality is whether a reasonable examiner would have considered the information important and not whether the information would conclusively decide the issue of patentability. In her dissent, Justice Newman complained that "[w]hether or not the examination was perfect, invalidation based on the charge of withholding material information for purposes of deception requires more than was here shown . . . This court returns to the 'plague' of encouraging unwarranted charges of inequitable conduct, spawning the opportunity litigation that here succeed despite consistently contrary precedent."

In 2009, the CAFC affirmed that a different examiner's adverse decision regarding substantially similar claims satisfied the materiality threshold. (*Larson Mfg. Co. of South Dakota, Inc. v. Alumina Prods. Ltd.*, 559 F.3d 1317, 1338 (Fed. Cir. 2009), which held that because a "rejection of a substantially similar claim refutes, or is inconsistent with the position that those claims are patentable, [an] adverse decision by another examiner . . . meets the materiality standard."). In 2010, the CAFC concluded that withholding statements made to an international patent office regarding a counterpart application also satisfied the materiality threshold. (*Therasense, Inc. v. Becton, Dickinson and Company*, 2009-1008, (Fed. Cir. 2010), which held that "to deprive an examiner of the EPO statements — statements directly contrary to [the Patentee's] representations to the PTO — on that the ground that they were not material would be to eviscerate the duty of the disclosure."). In view of these cases, the CAFC has now ruled that a patentee's failure to submit to an examiner information regarding related international applications and the prosecution thereof

constitutes a failure by the patentee to comply with the duty of disclosure, and is sufficient to support a finding of inequitable conduct. An alleged infringer can use the prosecution history of an international application, even though governed by and examined under patent laws that differ from those of the United States, to render a U.S. patent unenforceable.

Where do these cases leave patent practitioners? The courts' expansion of the duty to disclose to the USPTO material information has forced practitioners into a defensive posture, a position which is exemplified by recently issued U.S. Patent No. 7,651,688. The first 10 pages of the '688 patent list over 914 references. While the USPTO cited only nine references during examination of the patent, the patentee provided the other 900-plus references, totaling over 13,500 pages of nonpatent or other prior art. Furthermore, approximately 400 of the 900-plus references were documents from the examination of other commonly owned U.S. Patent applications.

The early Supreme Court cases demonstrate that but for the patentee's or its representative's inequitable conduct, such as securing false testimony and suppressing evidence to conceal invalidating art, ghostwriting and relying upon the publication to secure and enforce a patent, and leveraging perjury to one's advantage, the USPTO would not have issued these patents and the courts would not have enforced them. However, the courts have expanded the reach of inequitable conduct to encompass activities related to the duty to disclose to the USPTO material information, thereby requiring practitioners to identify, acquire and submit to the USPTO countless documents from related domestic and international applications. Until the CAFC or the USPTO take affirmative steps to curb the expanding breadth of the duty to disclose, practitioners will continue to submit to the USPTO voluminous amounts of documents and inequitable conduct will persist as a favored defense to infringement. ■