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PATENTS

The inequitable conduct defense was not meant to serve as a boilerplate defense to every charge of infringement. While courts may have perpetuated its misuse, attorneys who habitually allege the defense are ultimately responsible for its exploitation.

Overuse of the Inequitable Conduct Defense

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If you are a patent prosecutor, and a patent with whose prosecution you were even remotely involved has been litigated within the past two decades, then you have probably been accused of committing inequitable conduct. Inequitable conduct, a charge that is tantamount to being accused of an ethics violation or receiving a Rule 11 sanctions motion, has become an all too commonplace defense in patent litigation.

However, unlike the defense of invalidity, which attacks the patent in suit, inequitable conduct attacks, typically, the attorney(s) who wrote and/or prosecuted

the underlying patent application. While there is no denying that as lawyers we are supposed to be zealous advocates for our clients, there must be limits.

Routinely charging patent attorneys, who are no less ethical than other attorneys, with intentionally committing fraud on the Patent and Trademark Office, based upon questionable evidence, should be beyond those limits. The same thought process and consideration as that employed prior to filing a Rule 11 motion should be utilized prior to asserting inequitable conduct against a patent attorney.

This is not to say that every charge of inequitable conduct is unfounded and that the doctrine should be eliminated. Quite the contrary, used correctly inequitable conduct provides a valuable check on a system that issues powerful monopolies to patent recipients. However, it should be recognized that patent prosecution is very different from patent litigation.

During patent prosecution, the prosecuting attorney typically has a limited time to review a rejection from the PTO, read and analyze the references cited by the examiner, and respond to the same. Additionally, the patent prosecutor will typically work concurrently on various patent applications each of which may be

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shelved for many months and often years between interactions with the patent office.

It is also not uncommon for multiple attorneys, typically younger associates managed by older associates or partners, to work on the same patent prosecution at different times. Not that any of this is an excuse to be lackadaisical or sloppy, but it does on rare occasions result in an unintentional mistake, inconsistency and/or omission. However, a mistake, inconsistency or omission without the requisite intent to deceive does not rise to the level of inequitable conduct. During patent litigation, one or more attorneys will review the patent prosecution history under a proverbial microscope for any possible mistake, inconsistency, and/or omission and will attempt to piece together a story as to how the mistake or omission could not have happened without sinister intentions.

Of course, if you are looking for a conspiracy, everything either looks like a conspiracy or can be made to look like a conspiracy—especially when viewed in hindsight. Thus, unless or until there is specific evidence or sufficient circumstantial evidence of intent to defraud the patent office, a charge of inequitable conduct should not be brought against a patent attorney.

As Judge Pauline Newman of the U.S. Court of Appeals for the Federal Circuit has cautioned, “any patent prosecution, and indeed any litigation, is vulnerable in its detail.”¹

Therefore, we must take care to remember that this doctrine requires conduct that is intentionally misleading, not just imperfect, especially when viewed in hindsight. It is also important to remember that intent to deceive is significantly different from the intent to withhold a reference or the intent to make a particular statement—a difference often ignored by the asserting attorney.

Background

Inequitable conduct, which is a judicially created defense to patent infringement, derives from the patent rules, in particular, 37 C.F.R. § 1.56 “Duty to Disclose Information Material to Patentability.”² Its purpose is to prevent the employment of deceptive tactics in an effort to obtain an issued patent. To this end, a determination of inequitable conduct renders unenforceable what could otherwise be a valid and valuable patent.

Although most inequitable conduct litigation today revolves around an alleged failure to disclose material information, the cases handled by the U.S. Supreme Court have involved blatant fraud, in the form of “fraud on the Patent Office,” rather than equivocal acts of omission.³ The Federal Circuit has laid out a strict test

for inequitable conduct: the court must first find that the information omitted or misrepresented was material and that the filer acted with intent to deceive the patent office.⁴ A threshold level of each of these elements must be established by clear and convincing evidence,⁵ but the more material the omission or submission of false information, the less proof of intent that is needed, and vice versa.⁶

After each of these prongs is met, the court must balance the equities to determine whether the conduct before the PTO was egregious enough to warrant holding the entire patent unenforceable.⁷ Thus, even if a threshold level of both materiality and intent to deceive is proven independently by clear and convincing evidence, the court may still decline to render the patent unenforceable. This test is set up to ensure that the remedy targets only those who acted with intent to deceive in a significant manner, and only then in the most flagrant of situations.

This standard reflects the severity of the accusation. However, the Federal Circuit has consistently expanded the definition of “materiality” and has been inconsistent with the standard required to prove “intent,” thus promoting a “worth a shot” attitude in many patent litigators.

Materiality

In 1998, the Federal Circuit expanded the definition of “materiality” to include “any information that a reasonable examiner would substantially likely consider important in deciding whether to allow an application to issue as a patent.”⁸ In 2003, the Federal Circuit again expanded the definition by holding that a “contrary decision of another examiner” reviewing a substantially similar claim” was material and must be disclosed to the PTO.¹⁰ The Federal Circuit confirmed this expansion and further expanded it in 2007 in *McKesson Information Solutions Inc. v. Bridge Medical Inc.*, stating that in cases of co-pending claims, “a showing of substantial similarity is sufficient to prove materiality,” but those claims need not be substantially similar in order

Hartford-Empire Co., 322 U.S. 238, 61 USPQ 241 (1944), overruled on other grounds by *Standard Oil Co. v. United States*, 429 U.S. 17 (1976); *Precision Instrument Manufacturing Co. v. Automobile Maintenance Machine Co.*, 324 U.S. 806, 65 USPQ 133 (1945).

⁴ *Kingsdown Medical Consultants Ltd. v. Hollister Inc.*, 863 F.2d 867, 9 USPQ2d 1384 (Fed. Cir. 1988) (en banc), cert. denied., 490 U.S. 1067 (1989).

⁵ *Id.* at 872.

⁶ *E.g.*, *Paragon Podiatry Laboratories Inc. v. KLM Laboratories Inc.*, 984 F.2d 1182, 1189, 25 USPQ2d 1561 (Fed. Cir. 1993) (45 PTCJ 271, 2/4/93); *Purdue Pharma L.P. v. Endo Pharmaceuticals Inc.*, 438 F.3d 1123, 1134-35, 77 USPQ2d 1767 (Fed. Cir. 2006) (71 PTCJ 345, 2/3/06).

⁷ *E.g.*, *Monsanto Co. v. Bayer Bioscience N.V.*, 363 F.3d 1235, 1239, 70 USPQ2d 1257 (Fed. Cir. 2004).

⁸ *Akron Polymer Container Corp. v. Exxel Container Inc.*, 148 F.3d 1380, 1381, 47 USPQ2d 1533 (Fed. Cir. 1998) (56 PTCJ 335, 7/23/98).

⁹ It is interesting to note that knowledge of an attorney may be imputed to another attorney in the same firm, but apparently the same does not hold true for examiners at the PTO.

¹⁰ *Dayco Products Inc. v. Total Containment Inc.*, 329 F.3d 1358, 1368, 66 USPQ2d 1801 (Fed. Cir. 2003) (66 PTCJ 142, 5/30/03).

¹ *Nilssen v. Osram Sylvania Inc.*, 528 F.3d 1352, 87 USPQ2d 1161 (Fed. Cir. 2008) (Newman, J., dissenting) (76 PTCJ 307, 6/27/08).

² *See, e.g.*, Consolidated Patent Rules, 37 C.F.R. § 1.56(a) (2009) (“Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability . . .”).

³ *Larson Manufacturing Company of South Dakota v. AluminArt Products Ltd.*, 559 F.3d 1317, 1343, 90 USPQ2d 1257 (Fed. Cir. 2009) (77 PTCJ 558, 3/27/09) (Linn, J., concurring) (citing *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 19 USPQ 228 (1933); *Hazel-Atlas Glass Co. v.*

to be material.¹¹ Presently, materiality is defined in the patent rules as:

Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and (1) It establishes, by itself or in combination with other information, a *prima facie* case of unpatentability of a claim; or (2) It refutes, or is inconsistent with, a position the applicant takes in: (i) Opposing an argument of unpatentability relied on by the Office, or (ii) Asserting an argument of patentability. A *prima facie* case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.¹²

Intent to Deceive

In *Kingsdown*, the court emphasized that intent to deceive must be proven by clear and convincing evidence and held that gross negligence alone does not constitute inequitable conduct.¹³ This decision re-emphasized the high bar that must be met to find inequitable conduct, reiterating that intent is a crucial element, distinct in and of itself.

The Federal Circuit has fluctuated for over two decades regarding how high of a bar to set in assessing the requisite intent. This judicial inconsistency may have invited those in danger of liability for patent infringement to “take a stab at” using this defense to nullify an asserted patent, even with little or no proof of an intentionally omitted reference or misrepresentation.

But, as pointed out by several cases decided shortly after *Kingsdown*, those who intentionally deceive the PTO are unlikely to admit they acted with deceit. “Such intent usually can only be found as a matter of inference from circumstantial evidence.”¹⁴ For a time after *Kingsdown*, the Federal Circuit continued to apply a strict application, requiring a specific finding of intent, including a finding that the person appreciated the significance of the omitted information.¹⁵

In recent years, the standard of proof necessary to establish the intent requirement has been eroded, at times inferring intent to deceive when an applicant “should have known” certain information was material. This essentially reduced the standard used in many cases to that of simple negligence.

Additionally, the court has often essentially fused the intent prong with that of materiality, mitigating or almost eliminating proof of intent when the materiality prong is met. In several cases, when material information was found in the hands of a person connected to patent prosecution, if the person did not provide a “credible explanation,” he or she was presumed to have

had bad intent. This analysis effectively shifted the burden of proof, placing the onus on the patent holder and/or the prosecuting patent attorney.

In practice, when an omission is found to be material, it will almost always be viewed in hindsight as something the patentee “should have known,” shifting the duty to the patentee to convince the fact finder of virtuous intent.

While not all of the Federal Circuit’s cases resulted in this shifted burden, they have been unpredictable. Decisions appear to have been made on a case-by-case basis, with results seemingly dependent on which judge heard the case, resulting in unpredictable standards.

One prominent 2008 decision unequivocally established that “materiality does not presume intent” and emphasized the requirement for a specific finding of a deliberate decision to withhold known material information.¹⁶

But a case decided shortly thereafter inferred intent merely because the information withheld was “highly material,” the applicant knew of the information and should have known of its materiality, and the applicant did not provide a credible explanation for withholding the information.¹⁷

Very recently, the Federal Circuit has shown signs of once again taking a more critical stance. Three recent decisions have reiterated that inequitable conduct has two separate and distinct prongs, materiality and intent to deceive the patent office, that each must be proven separately by clear and convincing evidence before they are balanced, rather than allowing the existence of a threshold level of materiality to influence an inference of intent.¹⁸ The court has also emphasized in these recent decisions that a finding of intent must be the single most reasonable inference able to be drawn from the evidence.¹⁹

The court seems to be again requiring infringers to meet a stricter evidentiary burden to sustain an inference of intent. However, no clear guidelines have been set, and only time will tell if the courts will adhere to this approach. So long as the judicial standard remains a moving target patent litigators will likely continue to overuse the defense.

Pleading with Particularity

One possible cause for the overuse of the inequitable conduct defense may be the ease with which it may be pled. Federal Circuit Judge Richard Linn noted in a recent concurrence, “The ease with which inequitable conduct can be pled, but not dismissed, is a problem of

¹¹ *McKesson Information Solutions Inc. v. Bridge Medical Inc.*, 487 F.3d 897, 919-20, 82 USPQ2d 1865 (Fed. Cir. 2007) (74 PTCJ 116, 5/25/07).

¹² 37 C.F.R. § 1.56(b).

¹³ *Kingsdown*, *supra*, at 876.

¹⁴ *Hewlett-Packard v. Bausch & Lomb*, 882 F.2d 1556, 1562, 11 USPQ1d 1750 (Fed. Cir. 1989).

¹⁵ *E.g.*, *RCA Corp. v. Data General Corp.*, 887 F.2d 1056, 1065, 12 USPQ2d 1449 (Fed. Cir. 1989) (“a finding of intent to deceive the patent office is necessary to sustain a charge of inequitable conduct.”) (emphasis in original).

¹⁶ *Star Scientific Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366, 88 USPQ2d 1001 (Fed. Cir. 2008) (76 PTCJ 666, 9/12/08) (citing *GFI Inc. v. Franklin Corp.*, 265 F.3d 1268, 1274, 60 USPQ2d 1141 (Fed. Cir. 2001) (62 PTCJ 441, 9/14/01); *Molins PLC v. Textron Inc.*, 48 F.3d 1172, 33 USPQ2d 1823 (Fed. Cir. 1995) (49 PTCJ 489, 2/23/95)).

¹⁷ *Praxair Inc. v. ATMI Inc.*, 543 F.3d 1306, 1313-14, 88 USPQ2d 1705 (Fed. Cir. 2008) (76 PTCJ 873, 10/17/08).

¹⁸ *Larson*, 559 F.3d at 136. *Ariad Pharmaceuticals Inc. v. Eli Lilly & Co.*, 560 F.3d 1366, 90 USPQ2d 1549, 1558 (Fed. Cir. 2009) (77 PTCJ 628, 4/10/09); en banc rehearing granted (78 PTCJ 527, 8/28/09); *Dickson Industries Inc. v. Patent Enforcement Team LLC*, No. 2008-1372, 2009 WL 1393862, at *9 (Fed. Cir. May 20, 2009).

¹⁹ *Larson*, 559 F.3d at 1340; *Ariad Pharmaceuticals Inc.*, *supra*, at 1557-58.

our own making.”²⁰ While that may or may not be true, on a more practical note, patent owners are reluctant to move to dismiss a charge of inequitable conduct on the basis that it does not meet the pleading requirement. The motion is not inexpensive, is difficult to win and usually only results in the defendant filing an amended pleading. Perhaps placing a limit on the number of times inequitable conduct pleadings can be amended would help to limit its misuse.

The Federal Circuit recently affirmed that pleading inequitable conduct must comply with Rule 9(b): “[i]n all averments of fraud or mistake, the circumstances constituting fraud or mistake must be stated with particularity.”²¹ The court confirmed that while intent may be averred generally, the pleadings must “allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind.”²² Indeed, historically the Federal Circuit has expressed great concern about boilerplate allegations of inequitable conduct, and has noted that “the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.”²³ Such unjustified accusations of inequitable conduct are offensive and unprofessional.²⁴

Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds, to represent their client’s interests adequately, perhaps. They get anywhere with the accusation in but a small percentage of the cases, but such charges are not inconsequential on that account. They destroy the respect for one another’s integrity, for being fellow members of an honorable profession, that used to make the bar a valuable help to the courts in making a sound disposition of their cases, and to sustain the good name of the bar itself. A patent litigant should be made to feel, therefore, that an unsupported charge of “inequitable conduct in the Patent Office” is a negative contribution to the rightful administration of justice.²⁵

While it is possible that a more rigorous enforcement of the pleading requirement will rein in the overuse of the inequitable conduct defense, only time will tell.

Consequences

Lawyers who routinely charge inequitable conduct typically fail to consider that they are accusing the prosecuting patent attorney(s) of legal malpractice and requesting sanctions for this conduct. This is an allegation that should not be taken lightly. The consequences of a finding of inequitable conduct are severe, for both the patent owner and the attorney. The immediate result of a finding of inequitable conduct is that the patent is held to be unenforceable. That is, even if a patent is valid and is being infringed, the court may decide that it cannot be enforced against an infringer.

A finding of inequitable conduct regarding just one claim can lead to the entire patent being unenforceable,

²⁰ *Larson*, 559 F.3d at 1343 (Linn, J., concurring).

²¹ *Exergen Corp. v. Wal-Mart Stores Inc.*, No. 06-1491, 92 USPQ2d 1656 (Fed. Cir. 2009) (78 PTCJ 460, 8/14/09)

²² *Id.*

²³ *Burlington Industries Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422, 7 USPQ2d 1158 (Fed. Cir. 1988).

²⁴ *Molins*, 48 F.3d at 1182.

²⁵ *Burlington*, 849 F.2d at 1422.

and a finding regarding one patent may affect all related patents.²⁶ In addition, the court may consider a finding of inequitable conduct sufficient to render the case “exceptional,” for which attorneys fees may be awarded to the prevailing party.²⁷

Both the nature of this charge and its severe consequences make it exceedingly important that only those who acted with the requisite intent be held liable. As Chief Judge Paul R. Michel of the Federal Circuit admonished in *Star Scientific Inc. v. R.J. Reynolds Tobacco Co.*, “it is also inequitable to strike down an entire patent where the patentee only committed minor missteps or acted with minimal culpability or in good faith.”²⁸

Subsequent consequences to a finding of unenforceability may include both disciplinary actions against the patent attorney²⁹ and/or a separate malpractice action brought by the client, staining even the most diligent and reputable attorney’s legal reputation. This accusation does far more than simply serve as a defense to shield an accused patent infringer. If the claim of inequitable conduct succeeds, it causes irreparable harm to both the patentee and the attorney, whether justified or not.

The excessive use of this doctrine has also caused ambiguity for patent attorneys during the patent application process. Some prosecutors believe that everything should be disclosed in every application. Others believe that if you disclose too much you will be accused of intentionally burying a material reference and inviting a charge of inequitable conduct. Some believe that you should never summarize the disclosure of a reference in response to an examiner’s rejection of a claim for fear of making a mistake, while others believe that you need to summarize the references to effectively counter an examiner’s rejection.

The overuse of inequitable conduct has created a no-win situation for patent prosecutors. No matter which camp you find yourself in, over-inclusion or under-inclusion, the uncertainty in how inequitable conduct has been enforced makes it impossible to avoid the accusation.

Conclusion

While the courts’ handling of this doctrine may have perpetuated its misuse, attorneys who habitually allege inequitable conduct as a defense to every patent litigation are ultimately responsible for its exploitation. Perhaps if there were consequences for the lawyers who improperly allege inequitable conduct with little more than a shred of proof there would be fewer improper charges.

The inequitable conduct defense is not meant to serve as a boilerplate defense to every charge of patent infringement. Litigators need to consider the ramifications of this assertion in the same way they consider them before bringing a Rule 11 motion for sanctions.

²⁶ See, e.g., *Consolidated Aluminum Corp. v. Fosco International Ltd.*, 910 F.2d 804, 15 USPQ2d 1481 (Fed. Cir. 1990) (40 PTCJ 265, 7/26/90).

²⁷ 35 U.S.C. § 285 (1982).

²⁸ *Star Scientific supra*.

²⁹ See *Jaskiewicz v. Mossinghoff*, 822 F.2d 1053, 3 USPQ2d 1294 (Fed. Cir. 1987).