Inequitable Conduct: How To Lose Your Patent Rights

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Inequitable Conduct

- What is Inequitable Conduct?
- Who Can Commit Inequitable Conduct?
- Why Do We Care About Inequitable Conduct?
- How Do I Commit Inequitable Conduct?
- Where Can I Commit Inequitable Conduct?
- What Are Other Ethical Issues Regarding PTO Practice?
- How Can I Prevent Inequitable Conduct?
- What's Next For Inequitable Conduct?

What is Inequitable Conduct?

- Fraud Upon the Patent Office

  – *Regulatory Provision*: Duty of Candor and Good Faith. 37 C.F.R. § 1.56(a).

  – *Judicial Provision*: *Failure to satisfy the duty of candor and good faith may result in the patent being found unenforceable due to inequitable conduct. Molins PLC v. Textron, Inc., 48 F.3d 1172, 1178, 33 U.S.P.Q.2d 1823, 1826 (Fed. Cir. 1995).*

Inequitable Conduct

- Two Elements
  - *Materiality*.
  - *Intent*.

- N.B.: Reliance on fraud or misrepresentation not an element.

Inequitable Conduct

- Materiality

Old Rule 56: 37 CFR 1.56 (1977).

- Information that a reasonable patent examiner would likely consider important in deciding if a patent should issue.

- Rule 56 is the "starting point" J.P. Stevens & Co. v. Lex Tex Ltd., 747 F.2d 1553, 1559, 223 U.S.P.Q. 1089, 1092 (Fed. Cir. 1984).

- Substantial Likelihood of a Reasonable Examiner Considering the Information Important to Patentability. Fox Industries, Inc. v. Structural Preservation Systems, Inc., 922 F.2d 801, 803 (Fed. Cir. 1990).

Inequitable Conduct

- Materiality

  New Rule 56: 37 CFR 1.56(b) (2005); Same as Duty of Disclosure, 57 Fed. Reg. 2021, 2034 (Jan. 17, 1992).

  – *Information that is not cumulative to information already of record; and*

  – *Information establishes by itself, or in combination with other information, a prima facie case of unpatentability of a claim; or*

  – *Refutes, or is inconsistent with, a position the applicant takes in arguing patentability*.

Inequitable Conduct

- Federal Circuit Declines to Adopt Either Materiality Standard Exclusively. *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1363-64, 66 U.S.P.Q.2d 1801, 1806 (Fed. Cir. 2003).

- See Alpa Gandhi, *The Fate of the Rule 56 Materiality Standard in the Inequitable-Conduct Inquiry*, AIPLA Quarterly Journal, Vol. 33, Number 2, Spring 2005, Page 125.

- Federal Circuit Recently Mixed Part of New Rule with Old Rule. "Reasonable Examiner" with "Cumulative Information" relating to patent cited in EU search report. *Tap Pharmaceutical Prods., Inc. v. Owl Pharmaceuticals, LLC.*, 03-1634, -1635 (Fed. Cir. Aug. 18, 2005).

Inequitable Conduct

Undisclosed Prior Art Is Usually Material

- Undisclosed Prior Art May Be Material Even If Examiner Would Have Issued Patent Anyway (no "but for" standard). *Merck & Co., Inc. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 10 U.S.P.Q.2d 1682, 1686 (Fed. Cir. 1989).

- Undisclosed Prior Art May Be Material Even If Examiner Has the Prior Art Anyway. *Merck & Co., Inc. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 10 U.S.P.Q.2d 1682, 1686 (Fed. Cir. 1989). *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 223 U.S.P.Q. 1089 (Fed. Cir. 1984).

Federal Circuit Inconsistency Regarding Cases When Examiner Already Has the Prior Art

– Undisclosed Prior Art Immaterial When Examiner *Likely* Found It While Evaluating Another Application. *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 223 U.S.P.Q. 603 (Fed. Cir. 1984).

– Undisclosed Prior Art Immaterial When Examiner *Actually* Knew It While Evaluating Another Application. *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 223 U.S.P.Q. 1089 (Fed. Cir. 1984). *See Orthopedic Equip. Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1383-84, 217 U.S.P.Q. 1281, 1286-87 (Fed. Cir. 1983).

– Inequitable Conduct Even Though Examiner Independently Discovered The Undisclosed Prior Art. *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1396-97, 230 U.S.P.Q. 849, 852-54 (Fed. Cir. 1986).

Inequitable Conduct

- Materiality Examples

  – Affidavits are “inherently material” even if only cumulative. *Refac International, Ltd. v. Lotus Development Corp.*, 81 F.3d 1576, 38 U.S.P.Q.2d 1665 (Fed. Cir. 1996).

  – Undisclosed Violations of Sales Bar. *Fox*, 922 F.2d at 804; *Paragon Podiatry*, 984 F.2d at 1188; *LaBounty, 958 F.2d at 1075-76.*

Duty of Disclosure vs. Requirement for Information

- Duty of Disclosure: 37 C.F.R. § 1.56
  - Duty to Disclose, On Your Own Initiative, Information Material to Patentability.

- Requirement for Information: 37 C.F.R. § 1.105; MPEP § 704

  Duty to Disclose, If Asked By PTO, Information Reasonably Necessary to Examine or Treat a Matter in an Application.
  - Information Requested Need Not be Material to Patentability.
  - Duty of Candor and Good Faith (Through § 1.56) to Provide Information Reasonably and Readily Available.
  - *Star Fruits S.N.C. v. U.S.*, 280 F.Supp.2d 512, 515-61 (E.D. VA 2003).

- Intent

  – Design, resolve, or determination in acting or seeking to act. *Molins*, 48 F.3d at 1180, 33 U.S.P.Q.2d at 1828.

  – Direct Evidence not necessary to prove intent. *Id.*

  – If materiality is high, intent may be inferred. *Paragon Podiatry Lab., Inc. v. KLM Lab., Inc.*, 984 F.2d 1182, 1189, 25 U.S.P.Q.2d 1561, 1567 (Fed. Cir. 1993).

  – Intent may be proven by showing acts and presuming that actor intended natural consequences of such acts. *Molins*, 48 F.3d at 1180, 33 U.S.P.Q.2d at 1828.

  –Applicant knew or should have known information's relevance to patentability. *Critikon v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997). *Compare with Warner-Lambert v. Teva (04-1506; Fed. Cir. Aug. 11, 2005) "no intimate familiarity" + "good faith explanation."*

Intent Example: *Paragon*

– Knowing Failure to Disclose Barring Sales. Court Inferred Attorney Intended to Mislead PTO. *Paragon Podiatry Lab. Inc.*, 984 F.2d 1182, 1193 (Fed. Cir. 1993).

– Submitting misleading affidavit and examiner unable to investigate facts. *Paragon Podiatry*, 25 U.S.P.Q.2d at 1568.

– Affidavits Regarding Advantages Over Prior Art Stated:

–"I have not been in the past employed by, nor do I intend in the future to become employed by, Paragon Podiatry Laboratories, a corporation which I understand is the assignee of the interest in the above captioned patent application."

- Paragon Example:
  - Information not offered by applicant:
    - All Affiants were Paragon stockholders;
    - Some of the affiants were paid consultants for Paragon.
  - Natural consequences:

    Examiner believed that affiants were disinterested parties.

- *Frazier v. Roessel Cine Photo Tech, Inc.*, 04-0160, -1092 (Fed. Cir. Aug. 2, 2005):
  - Deceptive Video Evidence of Camera's Capabilities:
    - Applicant argued that invention was "capable" of taking photos shown in video;
    - False info + Knowledge + Stated Purpose = Intent.

Inequitable Conduct

- Standard of Proof:

  Clear and Convincing Evidence*. Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 939, 15 U.S.P.Q.2d 1321, 1327 Fed. Cir. 1990).

Inequitable Conduct

- Who Has A Duty Of Candor And Good Faith?

  – *Each individual associated with the filing and prosecution of a patent application. 37 C.F.R. § 1.56(a).*

  Such as:

  Patent Practitioners (Registered Patent Attorneys and Patent Agents).
  Inventors.
  Assignees.

  Not For:

  Administrative Assistants, Clerks, and Similar Personnel.
  Corporations or Other Fictitious People.

Why Do We Care About Inequitable Conduct?

- Every Claim Of Issued Patent Is Unenforceable. *Critikon, 120 F.3d at 1259*.
- Every Claim of Pending Application Not Allowed.
- Patent Family Members Vulnerable. *Consolidated Aluminum Corp. v. Foseco International Ltd*., 15 U.S.P.Q.2d 1481 (1990).
- Discipline By PTO (Agents and Attorneys). 35 U.S.C. § 32; 37 C.F.R. § 10; *Jaskiewisz v. Mossinghoff*, 822 F.2d 1053, 3 U.S.P.Q.2d 1294 (Fed. Cir. 1987). And Discipline By State Bar (Attorneys).
- Attorney Fee Award. 35 U.S.C. § 283.
- Malpractice Claim.
- Avoidable Loss of Market Share.

Reissue Patents

– Inequitable conduct in the original patent is not correctable error

Inequitable conduct in the prosecution of the original patent renders the reissue patent unenforceable
Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.
(Fed. Cir. 2003).

Inequitable conduct in the prosecution of the reissue patent may render the original patent unenforceable
Kearney & Trecker Corp. v. Giddings & Lewis, Inc.
(7th Cir. 1971).

How Do I Commit Inequitable Conduct?

- "Forget" to Cite Relevant Prior Art
- Settle Litigation Without Reporting Adversary's Inequitable Conduct.
- Hide The Best Mode.
- “Forget” to Translate Relevant Portions of Foreign Language Documents.
- Use Past Tense When Describing Experiments and Examples Not Actually Practiced.
- Expect Examiner to Remember Your Other Applications.
- Confuse Materiality With Technical Relevance.

Inequitable Conduct

- Settlement Agreement Example: *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co*., 324 U.S. 806, 815, 65 U.S.P.Q. 133, 138 (1945).

  – Interference between Precision Application A and Automotive Application B.

  – Precision A Inventor Filed False Statement About Date of Invention.

  – Automotive Finds Out, Settles With Precision.
    – Precision Assigns Application A to Automotive and Stipulates to Validity of Claims in Applications A and B.

    – PTO Not Told of False Affidavit.

  – Automotive Later Sues Precision For Patent Infringement.

Inequitable Conduct

- Settlement Agreement Example (cont'd): *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co*., 324 U.S. 806, 815, 65 U.S.P.Q. 133, 138 (1945).

  – By Automotive Enforcing Settlement Agreement Against Precision, Court Discovered Falsity of Affidavit.

  – Patents A and B unenforceable.

  – Court Upheld Dismissal of Infringement Suit Under Unclean Hands Doctrine.

- Best Mode Example: *Consolidated Aluminum Corp. v. Foseco International Ltd*., 15 U.S.P.Q.2d 1481 (1990).

– Con Aluminum Sued Foseco for Infringement of Patents A, B, C and D.

– Patent A -- Con Aluminum Withheld Best Mode and Disclosed False, Inoperable Mode

– Best Mode: Slurry Containing Aluminum Oxide, Chromium Oxide, Kaolin, Bentonite, Aluminum Orthophosphate, and Water.

– False, Inoperable Mode: Slurry Containing Aluminum Oxide, Chromium Oxide, and Water With False Concentrations (Slurry Doesn't Work).

– Patent B – Con Aluminum Claims a Slurry Containing Ingredients Withheld in Patent A Best Mode. Argued Patentability Over Patent A.

- Best Mode Example (cont'd): *Consolidated Aluminum Corp. v. Foseco International Ltd*., 15 U.S.P.Q.2d 1481 (1990).

  –Patents C and D – Continuations-In-Part of Patent B.

  Court Found:

  – Failure to Disclose Best Mode Inherently Material.

  – But Intent Not Automatically Found For Failure to Disclose Best Mode.

  – Good Faith Argument Not Available Due to Intentional Disclosure of Fictitious Inoperable Slurry.

  – Patents B, C, and D Unenforceable Under Unclean Hands Doctrine.

- Terminal Disclaimers: *Pharmacia Corp., Pharmacia AB, Pharmacia Enterprises S.A., and Pharmacia & Upjohn Co. v. Par Pharmaceutical. Inc*. (Fed. Cir. August 10, 2005).

  – Two applications linked by a terminal disclaimer.

  – Practitioner's disclaimer statement cautiously limited scope of the disclaimer.

  – Court Found:

  – Inequitable Conduct in One of the Applications Does Not Necessarily Mean Other Application is Unenforceable.

  – Unclean Hands Doctrine Not Argued.

- Untranslated Documents Example: *Key Pharmaceuticals. v. Hercon Lab. Corp*. (Fed. Cir. 1998).

  – Abstract of Foreign Patent Translated. Remainder in Foreign Language.

  – Untranslated Remainder Relevant to Patentability.

  – Court Found:

  – No Inequitable Conduct, Though Case was a Close Call.

  – Contrast with *SEL v. Samsung, 204 F.3d 1368, 54 U.S.P.Q.2d 1001 (Fed. Cir. 2000)*.

- Untranslated Documents Example: *SEL v. Samsung, 204 F.3d 1368, 54 U.S.P.Q.2d 1001 (Fed. Cir. 2000)*.

  – Untranslated Prior Art in Inventor's Native Language.

  – Untranslated Portions Anticipated Patented Invention.

  – Inventor's Explanation During Testimony not Credible.

  – Court Found: Inequitable Conduct, not a close call.

Watch Past Tense for Examples and Experimental Results.

– *Hoffman-La Rouche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1367, 66 U.S.P.Q.2d 1385, 1394 (Fed. Cir. 2003); MPEP § 608.01(p) and § 707.07.

– *Purdue Pharma L.P. v. Endo Pharmaceuticals, Inc., 04-1189* (Fed. Cir. Jun. 7, 2005)

- – OxyContin Patent
- – $1.5 Billion Annual Sales
- – 65 Other Lawsuits Pending
- – Triple Damages Possible

Watch For FDA Reporting Issues.

– *Bruno Independent Living Aids, Inc. v. Acorn Mobility Services Ltd.*, 04-0114, -1125 (Fed. Cir. Jan. 11, 2005).

- – Flag Medical Devices.
- – Communicate with FDA Letter Drafters.
- – Watch Out for Cosmetics.

- – *Fed. Cir. Used New Rule 56, deferring to PTO.*
- – *Read Every Piece of Prior Art. FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987) (cited in *Bruno*).

- Do Not Expect The Examiner To Remember Your Other Applications

– Dayco Prod., Inc. v. Total Containment, Inc., 329 F.3d. 1358, 1365-69, 66 U.S.P.Q.2d 1801, 1806-08 (Fed. Cir. 2003).

– Patentee Did Not Disclose Co-Pending Application.

– Patentee Did Not Disclose That A Different Examiner Rejected Similar Claims.

– Report Related Applications, Even If No Continuity Exists.

– Cite at Least Same Prior Art Cited In Other Related Applications, If Material.

– Technically Relevant vs. Material (Sword Handle and Steering Wheel Grip).

– N.B.: Patent Citation Analysis Systems Currently Enable Finding Logically Related Patents Not Cited, But Assigned to the Same Patentee.

–Next, Trilateral Sharing of References. OG Notice Sep. 20, 2005.

Where Can We Commit Inequitable Conduct?

- Anywhere.

- Tell Foreign Associates of U.S. Duty of Disclosure
  - Foreign Associates Representing Applicants Through U.S. Firms Held To Same Standard as U.S. Patent Practitioners.
  - Ignorance of the Law is Not a Viable Defense.
  - *Gemveto Jewelry Co. v. Lambert Bros.*, Inc., 542 F.Supp. 933, 943, 216 U.S.P.Q. 976, 985 (S.D.N.Y. 1982)

Other Ethics Issues Regarding PTO Practice

– Trademark Applications
  – Recitations of Goods and Services.
  – *Medinol Ltd. v. Neuro Vasx, Inc.*, Cancellation No. 92040535 (TTAB May 13, 2003)

– Representing Practitioners Before the OED.
  – Lipman v. Dickinson 174 F.3d 1363 (Fed. Cir. 1999)

– Comply With PTO Orders, . . . Or Else!
  – Proceeding D96-01 (August 28, 1997).

How Can I Prevent Inequitable Conduct?

- Checklists, Information Disclosure Forms, Letters, and Questionnaires
  - Describe Duty of Disclosure
  - Public Use, On-Sale Bars
  - Prior Publication, Foreign Patents, etc.

- Ask About Inventorship

- Best Mode Described?

- Understand Significance of Signing Formal Docs?

How Can I Prevent Inequitable Conduct?

- Database of References Cited in Related Applications

  Formal Relationship.

  Logical Relationship.

- Docket Sending IDS Within 3 Months After Filing.

- Watch For Foreign Patents Filed By Foreign Associates.

- Continue To Question Inventor/Client After Commencing Work On Patent Application.

What's Next?

- Pending Bill HR 2795 "Patent Reform Act of 2005"
  - Section 5: Duty of Candor
    - > Only PTO Decides Whether Inequitable Conduct Occurred (Not Courts).
    - > Inequitable Conduct Cannot Be Pleaded as a Defense When Sued.
  - PTO Issues Civil Monetary Penalties
    - > Maximum $1 million for Ordinary Inequitable Conduct.
    - > Maximum $5 million for Fraudulent Inequitable Conduct.
    - > Plus Costs of Investigation for Exceptional Cases.

Patent Term Guarantee Statute 35 U.S.C. § 154(b)

- Hypothetical: PTO Miscalculates Patent Term That Is Too Long.
- Patent Practitioner "Knows Or Should Have Known" That Patent Term Miscalculated. *See Critikon v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997).
- Is Materiality Present?
  - Would Reasonable Examiner Want to Know?
  - Material to Patentability?
  - How Much Excess Term Is Too Much? One Year? One Day?
- Is Intent Inferred?
  - When? One Year Excess? One Day Excess?
- Unclean Hands?

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