

NJIPLA -- Electronics, Telecom and Software Patent Practice Update

INEQUITABLE CONDUCT POST-THERASENSE

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Eamon J. Wall

ewall@walltong.com

Wall & Tong, LLP

25 James Way

Eatontown, New Jersey 07724

(732)542-2280

www.walltong.com

Duty to Disclose (37 C.F.R. 1.56(a))

- 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 as defined in this section.
- Materiality Standard:
 - Information material if a "reasonable examiner" would have considered it important in deciding whether to grant a patent.

Impact of Inequitable Conduct for Any Claim

- *Therasense Inc. v. Becton Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011)
- Renders the entire patent unenforceable. *Therasense*, at 1288.
- Cannot be cured by reissue or reexamination. *Id.*
 - [Supplemental Examination under 35 U.S.C. § 257 (AIA)]
- Taint ... can spread from a single patent to render unenforceable other related patents and applications in the same technology family. *Id.*
- May endanger a substantial portion of a company's patent portfolio. *Id.* at 1289.

Impact of Inequitable Conduct for Any Claim

- May spawn antitrust and unfair competition claims. *Id.* at 1289.
- Often makes a case “exceptional” leading potentially to an award of attorneys' fees under Section 285. *Id.*
- May prove the crime or fraud exception to the attorney-client privilege. *Id.*
- Suspect that this may cause intense client annoyance leading to loss of business, agita and other forms of professional and personal distress.
Imputed dicta.

Conflicting Prosecution Arguments (short form)

- Claim in U.S. Patent No. 5,820,551 ("the '551 patent") for disposable blood glucose test strips includes “active electrode is configured to be exposed to said whole blood sample without an intervening membrane....”
- Claim rejected over U.S. Patent No. 4,545,382 ("the '382 patent") disclosure of "Optionally, but preferably when being used on live blood, a protective membrane surrounds both....”
- Claim in ‘551 allowed over ‘382 after affidavit submitted arguing ‘382 did not teach protective membrane is optional.
- Affidavit argument was contrary to prior arguments in prosecution of ‘382 EP corresponding case.

Conflicting Prosecution Arguments (bullet points)

- ‘551 claim includes X
- X allegedly taught by “optionally X, but preferably Y” statement in prior commonly owned patent.
- X claim allowed in view of affidavit saying it isn’t so.
- Affidavit contradicts prior argument in briefs by patent owner during EPO prosecution of prior patent.

Therasense Holdings

- District court deems '551 patent unenforceable for inequitable conduct because patent owner did not disclose EPO briefs to PTO. Claims also invalid and not infringed.
- On appeal, Dist. Court judgments of noninfringement and invalidity affirmed. Unenforceability affirmed, but with dissent.
- Petition for rehearing granted. Court vacates the district court's inequitable conduct judgment and remands with new standards discussed herein.
- Dist. Court finds inequitable conduct under new standards.

Therasense

- This court now tightens the standards for finding both intent and materiality in order to redirect a doctrine that has been overused to the detriment of the public. *Therasense*, at 1290
- Standards:
 - But-For Materiality Standard
 - Knowing and Deliberate Intent Standard
- Materiality and intent must be separately established. *Id.* at 1290

BUT-FOR MATERIALITY

- This court does not adopt the definition of materiality in PTO Rule 56. *Therasense* at 1293
- To establish materiality, it must be shown that the PTO would not have allowed the claim but for the nondisclosure or misrepresentation. *Id.* at 1291
- In making this patentability determination, the court should apply the preponderance of the evidence standard and give claims their broadest reasonable construction. *Id.* at 1291-92

BUT-FOR MATERIALITY

- Affirmative Egregious Acts are Material
 - When the patentee has engaged in affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is material. *Therasense* at 1292.
- Not(Affirmative Egregious Acts) may be Material
 - Because neither mere nondisclosure of prior art references to the PTO nor failure to mention prior art references in an affidavit constitutes affirmative egregious misconduct, claims of inequitable conduct that are based on such omissions require proof of but-for materiality. *Id.* at 1292-93.

Knowing/Deliberate Deceptive Intent

- Accused infringer must prove by clear and convincing evidence that the applicant
 - knew of the reference,
 - knew that it was material, and
 - made a deliberate decision to withhold it. *Therasense* at 1290.
- May infer intent from indirect and circumstantial evidence. *Therasense* at 1290.
- Must be the single most reasonable inference. *Id.*

Knowing/Deliberate Deceptive Intent

- Patentee need not offer any good faith explanation unless the accused infringer first . . . prove[s] a threshold level of intent to deceive by clear and convincing evidence. *Id.* at 1291 (cite omitted)
- Absence of a good faith explanation for withholding a material reference does not, by itself, prove intent to deceive. *Id.*

Usual Practice Rules Apply

- Prepare solid applications with defensible primary claims and fallback claims
- Do the right thing – disclose the information!
- Work cooperatively with the patent examiner to get the claims you deserve, not necessarily the claims you (or your client) dream of.
- Make sure claims continue to provide business value

Don't Squint or Hope

- Cite the information if
 - it is relevant
 - it seems relevant
 - it feels like it might be relevant
 - you want someone to tell you it's not relevant
 - you hope you read it wrong
 - cited in corresponding/related foreign application
 - Etc.
- Let “prosecuting dead” application die. Now. More cheaply than later. Conserve patent budget. Make rational business decision. Move on.

Cure for Prior Squinting or Hoping?

- Supplemental Examination under 35 U.S.C. § 257 (AIA)
 - Patents enforceable on or after September 16, 2012
 - Patent owner may request supplemental examination of a patent by the Office to consider, reconsider, or correct information believed to be relevant to the patent. § 257(a)
 - Concluded with Certificate indicating whether the information raises a substantial new question of patentability. § 257(a)
 - If SNQ of patentability, then Reexamination Ordered. § 257(b)

Cure for Prior Squinting or Hoping?

- Prior conduct will not render patent unenforceable.
§ 257(c)(1), unless....
- Prior Allegation Exception
 - Before filing date of supplemental examination request, conduct pled with particularity in a civil action or FDA 505(j) notice received by the patent owner. § 257(c)(2)(A)
- Prior Enforcement Allegation Exception
 - Before conclusion of supplemental examination (and any reexam), conduct raised as defense in action. § 257(c)(2)(B)

Recent Cases

- *Powell v. The Home Depot U.S.A. Inc.*, (Fed. Cir. 2011): Finding of no inequitable conduct. Failure to update or cancel petition to make special where underlying basis (as indicated in sworn declaration supporting petition) changes is not egregious misconduct and not but-for material.
- *Joy MM Delaware, Inc.. v Cincinnati Mine Machinery Co* (WD Pa 2011): Finding of no inequitable conduct since no intent to deceive, where inventor and patent attorney reviewed reference and concluded no more relevant than other prior art they had reviewed.

Recent Cases

- *Therasense* (ND Cal 2012): district court, on remand from Federal Circuit decision, confirmed prior ruling of inequitable conduct and unenforceability. Patentee's silence after defendant's threshold showing was adverse evidence used to support specific intent to deceive finding. But-for materiality test also met.
- *American Calcar, Inc. v American Honda Motor Co, Inc.* (Fed Cir 2012): Finding of inequitable conduct and unenforceability vacated based on district court's use of an erroneous standard to determine specific intent to deceive.

Recent Cases

- *Aventis Pharma SA v Hospira Inc.* (Fed Cir 2012): Finding of inequitable conduct using prior standard affirmed based on correct finding of specific intent to deceive.
- *1st Media, LLC v. Electronic Arts, Inc.* (Fed. Cir. 2012): Finding of no inequitable conduct without deliberate decision to withhold information, even though prosecutors (1) knew of the references, (2) may have known they were material, and (3) did not inform the PTO of them.

Recent Cases

- *Outside the Box Innovations v. Travel Caddy, Inc.*. (Fed. Cir. 2012): Finding of no inequitable conduct based on lack of proof of deceptive intent where patent owner paid small entity fees and distributor (large entity) may have actually been a licensee. Court did not address whether this was egregious misconduct or but-for material.
- *Hospira, Inc. v Sandoz, Inc.* (D NJ 2012): Finding of no inequitable conduct because specific intent to deceive was not only possible inference drawn from patentee's conduct.

Recent Cases

- TV Interactive Data Corporation v. Sony Corporation (ND Cal 2012): Finding of no inequitable conduct based on failure to prove plaintiff made a deliberate decision to withhold information from the PTO, or that its theory of materiality was appreciated by plaintiff.
 - Court noted that no egregious affirmative act was identified (or alleged) since mere nondisclosure or failure to mention prior art constitutes affirmative egregious misconduct.
 - Court also noted that the evidence provided, while insufficient to prove inequitable conduct, is arguably sufficient to raise disputed issues of fact as to this defense (related to plaintiff summary judgment motion)

Recent Cases

- *Network Signatures, Inc.. v State Farm Mutual Insurance Co* (2012).
Attorney's statement contained in a petition to revive a patent after “unintentional” failure to pay a maintenance fee was false and material. While not considered egregious misconduct on part of attorney, the misstatement was considered “but-for material” because the USPTO would not have revived the patent if it knew the facts. The patent was held to be unenforceable.

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