

**FEDERAL CIRCUIT FURTHER DEFINES WHAT IS REQUIRED TO BRING A
SUCCESSFUL WALKER PROCESS CLAIM**

In 1965 the Supreme Court decided *Walker Process Equipment, Inc. v. Food Machinery and Chemical Corp.*,¹ finding that enforcement of a patent procured by fraud on the Patent Office may violate Section 2 of the Sherman Act, provided the other elements of a Section 2 claim are present. This type of case is now commonly referred to as a Walker Process claim.

Recently, the Federal Circuit issued two decisions, *Hydril Co. LP v. Grant Prideco, Inc.*² and *Dippin' Dots, Inc. v. Mosey*,³ that further define the requirements for a successful Walker Process claim.

Hydril Co. LP v. Grant Prideco, Inc.

In *Hydril*, the Federal Circuit addressed the level of “enforcement” an antitrust plaintiff must allege to survive a Rule 12(b)(6) motion to dismiss for failure to state a claim. Hydril and Grant Prideco both manufactured drill pipe connectors. After Grant Prideco sent threatening letters to Hydril’s distributors and customers, asserting that certain product orders from Hydril’s customers might violate Grant Prideco’s patent, Hydril sued Grant Prideco alleging that the patent in issue had been obtained by fraud on the patent office due to concealed prior art.

In order to bring a Walker Process claim, Hydril needed to show that Grant Prideco had enforced the patent procured by fraud.⁴ In *Unitherm Food Sys. Inc. v. Swift-Eckrich, Inc.*, the Federal Circuit stated that the minimum level of enforcement needed to bring a valid Walker Process claim was the same as the standard that defines jurisdiction under the Declaratory Judgment Act, *i.e.*, reasonable apprehension of suit.⁵ Following this precedent, the district court found that the letters Grant Prideco sent to Hydril’s customers did not create an objectively reasonable apprehension that Grant Prideco intended to enforce its patents against Hydril.

The Federal Circuit, however, found that the letters meet the level of enforcement required to bring a valid Walker Process claim. The court declined to extend its ruling in *Microchip Technology, Inc. v. The Chamberlain Group*,⁶ where the court held that threats against a party’s customers did *not* support jurisdiction for a declaratory judgment action, to dismiss a Walker Process claim based on threats of infringement litigation against a supplier’s customers.

¹ 382 U.S. 172 (1965).

² 474 F.3d 1334 (Fed. Cir. 2007).

³ 476 F.3d 1337 (Fed. Cir. 2007).

⁴ *Walker Process*, 382 U.S. at 174.

⁵ 375 F.3d 1341, 1358 (Fed. Cir. 2004), *rev’d on other grounds*, 546 U.S. 394 (2006).

⁶ 441 F.3d 936 (Fed. Cir. 2006).

In effect, the court announced different standards for determining jurisdiction over declaratory judgment actions and Walker Process claims:

[A] valid Walker Process claim may be based upon enforcement activity directed against the plaintiff's customers. Threats of patent litigation against customers, based on a fraudulently-procured patent, with a reasonable likelihood that such threats will cause the customers to cease dealing with their supplier, is the *kind of economic coercion that the antitrust laws are intended to prevent*. A supplier may be equally injured if it loses its share of the market because its customers stop dealing with it than if its competitor directs its monopolistic endeavors against the supplier itself. Without customers, a supplier has no business.⁷

According to the Federal Circuit, threats by a patent holder against another party's customers can support a Walker Process claim, but do not provide jurisdiction over a declaratory judgment action for patent invalidity.

Dippin' Dots, Inc. v. Mosey

In *Dippin' Dots* the Federal Circuit addressed the different standards applied to inequitable conduct and Walker Process fraud. In this case, the patent holder made certain disclosures to the Patent Office during prosecution, but omitted prior sales of its own product that rendered its claimed invention obvious. The jury found that the patent holder violated the antitrust laws, and the district court held that the patent was unenforceable due to inequitable conduct. The Federal Circuit affirmed the finding of inequitable conduct, but reversed on the antitrust counterclaim.

Inequitable conduct occurs when a patent applicant intentionally fails to disclose material information or intentionally submits materially false information to the Patent Office during prosecution of the patent. The party challenging the patent must make threshold showings of both materiality and intent. The court, in its discretion, may balance the two prongs. The Federal Circuit held that the omission of the prior sales was highly material and met the minimum threshold of intent, thus an equitable balancing of the two factors supported a finding of inequitable conduct.

However, the court emphasized that Walker Process claims require higher threshold showings of both materiality *and* intent. In addition, there is no balancing of intent and materiality. In *Dippin' Dots*, while omission of the prior sales met the threshold levels of materiality and intent for inequitable conduct, the requisite fraudulent intent for a Walker Process claim was not established. The patent holder's statements to the Patent Office were not actually false, just incomplete. The court pointed out that a mere failure to cite a reference will not support a Walker Process claim -- to find an omission fraudulent there must be evidence of fraudulent intent separable from the fact of omission.

The court compared this case to *Nobelpharma AB v. Implant Innovations, Inc.*,⁸ a Walker Process case where the Federal Circuit did find fraudulent intent based upon an omission. In

⁷ *Hydril*, 474 F.3d at 1350 (emphasis added).

⁸ 141 F.3d 1059 (Fed. Cir. 1998).

Nobelpharma, the patent agent had included a reference to a prior art book in an earlier draft of the patent application. He later removed the reference and could not explain why. The court said that the actual deletion of the information gave the jury a reasonable ground to find intent to defraud the Patent Office.

In *Dippin' Dots*, the defendant did not submit such additional evidence to show the patent holder's fraudulent intent, relying only on the omission of the prior sales. The court, citing *Nobelpharma*, stated that "[a] mere failure to cite a reference to the PTO will not suffice" to infer intent.⁹ The court emphasized that when an infringement defendant wants to use the Walker Process "sword" (as opposed to the inequitable conduct "shield"), the defendant must prove deceptive intent independently.

Conclusion

Hydril and *Dippin' Dots* further define the requirements for a successful Walker Process claim. The level of enforcement needed to bring a Walker Process claim no longer tracks the requirements of the Declaratory Judgment Act; threats against customers will suffice to confer jurisdiction. In addition, courts must find both materiality and fraudulent intent, without equitable balancing, to prove a Walker Process claim.

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⁹ *Dippin' Dots*, 476 F.3d at 1347 (citing *Nobelpharma*, 141 F.3d at 1071).