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This issue will explore developments in Federal Circuit case law regarding inequitable conduct, also known as fraud on the Patent Office. This issue also discusses a newly developing defense that is closely related to traditional inequitable conduct — the unenforceability of a patent due to misconduct before a standards-setting organization.

Much as it did in the late 1980s, concern has been rising recently that the defense of inequitable conduct based on fraud on the Patent Office is becoming an “absolute plague.” See *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 875 n.15 (Fed. Cir. 1988 (en banc)); *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988). In early 2008, Judge Rader observed in a dissenting opinion that the Federal Circuit had been presented with a growing number of cases that arrive on appeal solely on the basis of a determination of inequitable conduct, without accompanying issues of validity or infringement. See *Aventis Pharma S.A. v. Amphastar Pharmaceuticals, Inc.*, 525 F.3d 1334, 1349-50 (Fed. Cir. 2008). He criticized the trend, saying “the judicial process has too often emphasized materiality almost to the exclusion of any analysis of the lofty intent requirement for inequitable conduct.” *Id.* Similarly, in *Larson Mfg. Co. of South Dakota, Inc. v. Aluminart Prods. Ltd.*, 559 F.3d 1317 (Fed. Cir. 2009), Judge Linn criticized the current standards for inequitable conduct as being inconsistent with *Kingsdown* and *Burlington*. According to Judge Linn, these standards set forth a simple negligence standard lower than the gross negligence standard rejected in *Kingsdown*; and effectively shift the burden to the patentee to prove the negative; *i.e.*, that there was no deceptive intent. *Id.* at 1343-44. In fact, the rising concern has resulted in legislative action — bills are pending before Congress to codify and rein back the doctrine of inequitable conduct. See S. Rep. No. 110-259; S. 1145.

THE ELEMENTS OF INEQUITABLE CONDUCT

The basic elements of inequitable conduct remain unchanged. Each person substantively involved with the prosecution of a patent application has an affirmative duty of candor to the United States Patent and Trademark Office throughout the prosecution of a patent. 37 C.F.R. § 1.56. If someone substantively involved with the prosecution of a patent or patent application violates the duty of candor to the USPTO, a patent may be rendered unenforceable. *Larson Mfg. Co. of South Dakota, Inc. v. Aluminart Prods. Ltd.*, 559 F.3d 1317, 1327 (Fed. Cir. 2009).

In order to render a patent unenforceable as a result of inequitable conduct one must show both the materiality of a nondisclosure or misrepresentation and intent to deceive the USPTO. *Star Scientific v. R.J. Reynolds*, 537 F.3d 1357, 1365 (Fed. Cir. 2008). Both materiality and intent must be shown by clear and convincing evidence. *Id.* at 1366; *Larson*, 559 F.3d at 1340. Because direct evidence of deceptive intent is rarely available, deceptive intent may be inferred from indirect or circumstantial evidence. *See Star Scientific* at 1366. However, such circumstantial evidence must still be clear and convincing — lesser evidence of intent will not suffice. *Larson* at 1340; *see also Research Corporation Techs., Inc. v. Microsoft Corp.*, 536 F.3d 1247, 1253 (Fed. Cir. 2008); *Monsanto Co. v. Bayer Bioscience N.V.*, 514 F.3d 1229 (Fed. Cir. 2008).

Information is deemed material if “a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.” *Symantec Corp.*, 522 F.3d at 1297; *Star Scientific*, 537 F.3d at 1367. Information is not material if it is cumulative or less pertinent than information already disclosed to the examiner. *Rothman v. Target Corp.*, 556 F.3d, 1310, 1326-27 (Fed. Cir. 2008); *Technology Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, at 1337 (Fed. Cir. 2008).

Once the Court determines that both materiality and intent have been proven by clear and convincing evidence, it weighs the materiality and intent on a sliding scale, with less intent required when the nondisclosure or misrepresentation is highly material and vice versa. *Symantec Corp. v. Computer Assoc’s., Inc.*, 522 F.3d 1279, 1296 (Fed. Cir. 2008).

DECISIONS FINDING INEQUITABLE CONDUCT

Since January 2008, the Federal Circuit has decided at least 18 cases directly involving the issue of inequitable conduct. Of these, only three decisions found that the patentee had engaged in inequitable conduct. We discuss these decisions below.

In *Monsanto*, the Federal Circuit found that internal notes discussing a prior art reference were material, and inferred intent from the absence of a good faith reason for nondisclosure. *Monsanto Co. v. Bayer Bioscience N.V.*, 514 F.3d 1229 (Fed. Cir. 2008). One of Bayer’s scientists took notes on a prior art scientific poster presentation that was cited by the examiner against the patent application. The notes, which were widely distributed within Bayer and known to the prosecuting attorney, suggested that the claimed subject matter was disclosed by the poster. *Monsanto*, 514 F.3d at 1236-37. The Court held that these notes were material because they were contrary to the patent attorney’s arguments concerning the prior art poster during prosecution. *Id.* at 1239-40. The Court stated that “absent a credible reason for withholding the information, intent can be inferred where a patent applicant knew or should have known that withheld information would be material to the PTO’s consideration of the patent application.” *Id.* at 1241 (internal citation omitted). The Court held that the district court did not err in finding Bayer’s patent unenforceable because the failure to disclose these notes, which Bayer’s attorney knew of and discussed with the scientist who authored them,

without any credible evidence to establish good faith for the nondisclosure, showed deceptive intent. *Id.* at 1241.

In *Aventis*, the Federal Circuit found that Aventis committed inequitable conduct by submitting misleading declarations of one of their scientists, Dr. Uzan. *Aventis Pharma S.A. v. Amphastar Pharmaceuticals, Inc.*, 525 F.3d 1334 (Fed. Cir. 2008). In his declarations, Dr. Uzan sought to distinguish a prior art reference by submitting comparisons of the half-lives of the claimed compounds with those disclosed in the prior art reference. *Aventis*, 525 F.3d at 1339-40. These declarations ultimately convinced the examiner to allow the claims. *Id.* at 1340. Amphastar alleged that Dr. Uzan committed inequitable conduct by failing to disclose that the half-life studies in his declaration were done at different dosages. The District Court found the patent unenforceable based on the nondisclosure of the dosage information. *Id.* at 1341. In the first appeal, Aventis argued that half-life comparisons done at different dosages were frequently performed by those skilled in the art and the Federal Circuit remanded on the issue of intent, for a determination whether comparisons at different dosages were reasonable. *Id.* at 1342. On remand, the district court rejected all of Aventis's proffered reasons for the nondisclosure of the dosage information and found that the nondisclosure was not inadvertent. *Id.* at 1342-43. The Federal Circuit affirmed, agreeing that the dosage data was not left out of Dr. Uzan's declaration inadvertently. *Id.* at 1345-47, 1349.

In his dissent, Judge Rader stated that he did not believe the record showed clear and convincing evidence of deceptive intent as required by *Kingsdown*. *Id.* at 1349. Judge Rader stated that while Dr. Uzan should have disclosed the dosage data, a scientist of Dr. Uzan's caliber would not make such a blatant and conspicuous deceptive admission, which led to a finding that the information was inadvertently left out. *Id.* at 1351-52. Further, Judge Rader stated that because there appeared to be two parties, Dr. Uzan and the prosecuting attorney, who committed omissions and various other prosecution errors, the collective mistakes call into question the evidence of deceptive intent, and support a finding of inadvertence by both parties. *Id.* at 1351.

In *Praxair*, the Federal Circuit affirmed a determination of inequitable conduct because prior art known to the inventors was withheld from the Patent Office. *Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306 (Fed. Cir. 2008). The patents at issue in *Praxair* related to pressurized storage containers that limit potentially rapid discharge of hazardous gases. ATMI asserted that Praxair's patents were unenforceable because of the failure to disclose three types of prior art: (1) so-called "Max Light devices," (2) a patent to Zheng and (3) art related to restricted flow orifices ("RFOs"). *Id.* at 1312. The district court found that the "Max Light devices" were not material and that the Zheng patent was material, but that the prosecuting attorney had a good faith explanation for not disclosing it. *Id.* However, the district court found that two of Praxair's patents were unenforceable because the inventors and patent attorney knew of the RFOs, the existence of which contradicted statements made during prosecution of the patents, and because there was a lack of any testimony explaining the nondisclosure of the RFOs. *Id.* at 1312-13.

On appeal, Praxair argued that the RFOs were not material because they did not embody all of the limitations of the claims and were cumulative. *Id.* at 1314-15. However, the Federal Circuit found the RFOs to be material, even though they did not embody all of the limitations, and that Praxair waived the argument that the RFOs were cumulative by not raising it in the district court. *Id.* Having found the RFOs material, although there was no direct evidence of intent to deceive, the Federal Circuit found deceptive intent based on the following factors:

- (1) that the [art] was highly material to the prosecution of the [patent], (2) that the applicants knew of the [art] and knew or should have known of its materiality, and (3) that the patentee has failed to come forward with any credible good faith explanation for the applicants' failure to disclose the [prior art].

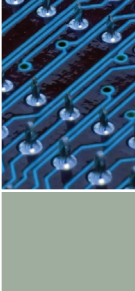
Id. at 1315. With respect to the third prong, the Federal Circuit stated, “[h]indsight construction of reasons why a reference might have been withheld cannot suffice as a credible explanation of why, at the time, the reference was not submitted to the PTO.” *Id.* at 1318. Balancing these factors, the Federal Circuit inferred intent and found one of Praxair’s patents unenforceable. The Federal Circuit reversed the finding of unenforceability with respect to the other patent because the statements that were contradicted by the existence of RFOs were made after the claims of the other patent were already allowed to issue. *Id.* at 1318-19.

DECISIONS REMANDING FOR FURTHER FACTUAL FINDINGS

More recently, in a possible shift away from the holding in *Praxair*, the Federal Circuit signaled that stronger evidence of intent may be required. *Larson Mfg. Co. of South Dakota, Inc. v. Aluminart Prods. Ltd.*, 559 F.3d 1317, 1327 (Fed. Cir. 2009). In *Larson*, the Federal Circuit reaffirmed that “materiality does not presume intent, and nondisclosure, by itself, cannot satisfy the deceptive intent element.” *Larson*, 559 F.3d at 1340. A separate showing of intent may be required for each material omission or misrepresentation. *Id.* at 1321.

In *Larson*, the plaintiff alleged infringement by Aluminart of a reexamined patent relating to storm doors with movable glass inserts. Aluminart alleged, *inter alia*, that Larson failed to disclose two office actions from a continuation application that was pending contemporaneously with the reexamination. *Id.* at 1325. The Federal Circuit agreed that the two office actions were material to patentability, even though the art discussed in the office actions was considered in the reexamination. The office actions were material because the remarks and conclusions made by other examiner were inconsistent with the arguments Larson made in the reexamination concerning the cited art. *Id.* at 1337-38. However, the Federal Circuit remanded for further findings regarding intent. *Id.* at 1320.

Then, the Federal Circuit gave guidance with respect to the analysis required to determine if there has been deceptive intent. *Id.* at 1340. (“Although the issue is not presently before us, we believe that, in the interest of judicial economy, it is appropriate to give some guidance to the district court with respect to the issue of deceptive intent.”) The Federal Circuit reiterated



that materiality does not presume intent and that intent must be proven by clear and convincing evidence. *Id.* at 1340. While the court acknowledged that deceptive intent can be inferred from circumstantial evidence, that evidence must itself also be clear and convincing. *Id.* Additionally,

[T]he inference must not only be based on sufficient evidence and be reasonable in light of the evidence, but it must also be the single most reasonable inference to be drawn from the evidence to meet the clear and convincing standard.

Id. Thus, the Federal Circuit stated that an accused infringer cannot simply carry its burden of showing intent by pointing to the absence of a credible good faith explanation on the part of the patentee for the nondisclosure and that courts should take into account any evidence of good faith that militates against a finding of deceptive intent. *Id.* at 1341.

DECISIONS FINDING NO INEQUITABLE CONDUCT

Several recent decisions show that attorneys are allowed a fair degree of latitude in making arguments to the Patent Office without engaging in inequitable conduct. For example, attorney arguments were not material omissions or misrepresentations despite being contrary to an EPO determination that the particular reference was the closest prior art. *Innogenetics, N.V. v. Abbott Laboratories*, 512 F.3d 1363, 1378 (Fed. Cir. 2008). Likewise, attorney argument concerning potential infringement by a competitor, made to request expedited prosecution of a patent application, was not a material misrepresentation when the statements on which the argument was based were amenable to a plausible reading that did not evidence deceptive intent. *Scanner Technologies Corp. v. ICOS Vision Systems*, 528 F.3d 1365, 1378-79 (Fed. Cir. 2008). In this context, *Scanner Technologies* did confirm that a false statement that succeeds in expediting a patent application (e.g., in a petition to make special) is, as a matter of law, material for the purposes of an inequitable conduct assessment. *Id.* at 1375.

The Federal Circuit also reaffirmed that art that is either cumulative or less pertinent than the art of record is not material, even if it is anticipatory. *Technology Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, at 1337 (Fed. Cir. 2008); *Rothman v. Target Corp.*, 556 F.3d 1310, 1326-27 (Fed. Cir. 2009).

In *Research Corporation Techs., Inc. v. Microsoft Corp.*, 536 F.3d 1247, 1253 (Fed. Cir. 2008), the Federal Circuit found that a patentee did not commit inequitable conduct for failing to disclose post-filing tests performed for scientific research, not verification of the claimed invention, because such tests were not material. *Id.* at 1252-53. In so holding, the Court stated that even if a patentee hopes to profit from a patent or to receive some form of remuneration, financial reward alone does not show an intent to deceive the USPTO. *Id.* at 1253.

In *Star Scientific v. R.J. Reynolds*, 537 F.3d 1357, 1365 (Fed. Cir. 2008), the Federal Circuit addressed the issue of the proof required to show intent. The patent at issue in *Star Scientific* related to methods of curing tobacco such that certain harmful chemicals were reduced to a very low level. RJ Reynolds (“RJR”) accused Star of committing inequitable conduct by withholding a letter written from one of Star’s scientists to the original attorney prosecuting the patent applications that suggested that methods known to the public to be used in other countries may actually produce the low levels of the harmful chemicals in cured tobacco. During prosecution, Star switched law firms and the letter was never disclosed, despite the testimony of the original prosecuting attorney that he was originally concerned about the letter. RJR alleged that the switch in firms was caused by Star’s desire to keep the letter from being disclosed, while Star explained that the switch of firms was related to the passing of a key partner and the low quality of the work. The district court agreed with RJR’s theory that the change of firms was initiated to prevent the disclosure of the letter and held the patents unenforceable.

The Federal Circuit reversed the holding of inequitable conduct and unenforceability for both of Star’s patents. The Federal Circuit found that the district court’s finding of intent was primarily based upon its finding that Star and its in-house counsel conspired to deliberately keep the original prosecuting attorney from disclosing the letter and keep the new prosecuting firm from finding out about the letter or its contents. *Id.* at 1367. With respect to the first patent, the Federal Circuit determined that this “quarantine” theory was not supported by clear and convincing evidence. *Id.* In particular, the Court found that RJR failed to show that the letter was the reason for the switch in firms or that the individuals at Star responsible for the switch of firms knew of the contents of the letter. *Id.* at 1368. Additionally, the Federal Circuit found that RJR had failed to prove that anyone at Star even knew of the original prosecuting attorney’s concerns about the letter. *Id.* In reversing the district court’s finding of unenforceability, the Court further stated that, even if Star’s explanation for the replacement of firms during prosecution could not be believed, it remained RJR’s burden to show deceptive intent — a burden that cannot be carried by simply pointing out that Star failed to prove a credible alternative explanation to RJR’s theory. *Id.* at 1368. The Federal Circuit stated:

The patentee need not offer any good faith explanation unless the accused infringer first carried his burden to prove a threshold level of intent to deceive by clear and convincing evidence. Only when the accused infringer has met this burden is it incumbent upon the patentee to rebut the evidence of deceptive intent with a good faith explanation for alleged misconduct.

Id. (internal citations omitted). With respect to the second patent, the Federal Circuit reversed the district court’s finding of unenforceability because the information in the letter was cumulative of information already disclosed to the examiner, including RJR’s interrogatory responses which identified the letter, and thus not material. *Id.* at 1370.

INEQUITABLE BEHAVIOR BEFORE STANDARDS-SETTING BODIES

Patents have also recently been held unenforceable for misconduct before a standards-setting body. This defense shares the same equitable underpinnings as traditional inequitable conduct, but proceeds under the rubric of waiver or equitable estoppel.

In *Qualcomm, Inc. v. Broadcom Corp.*, 548 F.3d 1004 (Fed. Cir. 2008), Qualcomm accused Broadcom of infringing three of its patents relating to video compression technology. Qualcomm alleged that because Broadcom's products were compliant with the Joint Video Team ("JVT") H.264 standard for video compression, they infringed Qualcomm's patents. Broadcom alleged that Qualcomm should be estopped from asserting its patents because it, and its employees, participated in the JVT and the establishment of the H.264 standard without telling the JVT or its members about the existence of its patents, contrary to JVT rules. Although Qualcomm denied its participation in the JVT throughout the discovery phase of litigation, during the last days of trial it came to light that Qualcomm was indeed involved in the JVT and that it and its attorneys failed to disclose this fact during the course of discovery. *Id.* at 1009. Qualcomm eventually produced thousands of documents relating to its participation in the JVT during the adoption of the H.264 standard.

After Broadcom established that Qualcomm had indeed participated in the JVT, Qualcomm argued that it was not required under the JVT rules to disclose its patents because they were not "reasonably necessary" to practice the H.264 standard. Previously, the Federal Circuit held that a party who participated in a standards-setting committee and failed to disclose the existence of patents and applications it later asserted against products compliant with the standard it helped in setting did not violate its disclosure duty to the standards-setting organization, and thus the patents were not unenforceable because the patents were not reasonably necessary to practice the standard. *Id.* at 1011 discussing *Rambus, Inc. v. Infineon Techs. AG*, 318 F.3d 1081, 1104-05 (Fed. Cir. 2003).

In *Qualcomm*, the Federal Circuit held that the language of the JVT rules imposed a duty upon Qualcomm to disclose its core patents that were later asserted against Broadcom. *Id.* at 1015. Further, the Court rejected Qualcomm's argument that the standard set forth in *Rambus* should be interpreted to only require disclosure where it is "reasonably clear at the time that the patent or application would actually be necessary to practice the standard." *Id.* at 1018. The Court stated that the "reasonably might be necessary standard" set forth in *Rambus* was clear. *Id.* Additionally, the Federal Circuit found that Qualcomm's ex ante arguments regarding infringement ("the claims of the [Qualcomm patent] map onto the H.264 standard, so devices or systems that practice H.264 actually practice the claims of [the Qualcomm patent]") and its Rule 11 basis for asserting its patents in the first place belie Qualcomm's arguments regarding the materiality of its nondisclosure.

While the Federal Circuit agreed with the district court that Qualcomm had a duty to disclose its patents to the JVT and that Qualcomm breached that duty, the Federal Circuit did not

agree with the finding that Qualcomm's patents should be held unenforceable against the world. *Id.* at 1025-26. Instead, the Federal Circuit found that in this instance where Qualcomm misused its patents and committed misconduct before the JVT, the appropriate remedy was to find the patents unenforceable against all H.264-compliant products as a result of Qualcomm's participation in setting that standard and subsequently asserting its patents against H.264-compliant products. *Id.*

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