

“Numerous Reasons” Support Finding Inequitable Conduct: Another Example of the Federal Circuit’s Current Approach to Inequitable Conduct

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When the Federal Circuit decided *Therasense* in 2011^[1], many thought the heightened standard announced by the Court for proving equitable conduct spelled the practical end of the doctrine. Contemporary commentators noted, “The Federal Circuit Continues to Make Inequitable Conduct More Difficult to Prove” and asked, “Is Inequitable Conduct in Patent Prosecution Dead?”

It’s not dead. But the Federal Circuit appears more cautious, applying the doctrine often only where it perceives a pattern of misconduct.^[2] To find that pattern, the Federal Circuit has taken a more holistic approach, scrutinizing both behaviors before the Patent Office and in business. For example, in *Regeneron Pharms*, the Court upheld a finding of inequitable conduct based on an adverse inference of intent arising from post-prosecution and litigation misconduct.^[3] In *Gilead v. Merck*, the Court held that Merck’s business and litigation misconduct supported a finding of unclean hands.^[4]

As discussed here, *GS CleanTech Corp. v. Adkins Energy LLC*^[5] provides the most recent example of the Federal Circuit’s approach to inequitable conduct based on a pattern of behavior both before and outside of the Patent Office. *And it has it all*: buried studies and an offer for sale, false declarations, and a “threat.” Indeed, in navigating all the facts, the Federal Circuit issued a stark warning – repeated three times – not to allow advocacy to trump candor.

Background: System Development and Prosecution of the CleanTech Patents

Plaintiff CleanTech asserted four patents relating to recovering ethanol oil at the end of a milling process. The district court granted summary judgment of noninfringement and invalidity on numerous grounds.^[6] After a bench trial, the court also held the asserted patents unenforceable for inequitable conduct.

CleanTech developed the claimed ethanol recovery system and on August 17, 2004, it filed the applications leading to the patents-in-suit. Four acts during the system development and patent prosecution are particularly relevant here. Specifically, CleanTech

1. Conducted testing of its ethanol oil recovery system in June and July 2003, over a year before

it filed the provisional application on August 17, 2004;

2. Emailed a potential client a proposal for a free-trial of the ethanol oil recovery system, with an option to buy after the trial, on August 1, 2003, over a year before it filed the provisional application on August 17, 2004;
3. Filed an inventor declaration during prosecution insisting that the proposal for a free trial was not emailed on August 1, but in fact hand delivered on August 18, 2004; and
4. Withdrew the application containing the first inventor declaration and filed a second inventor declaration admitting that the free-trial proposal was emailed on August 1, 2004.

The Federal Circuit's Decision

Materiality of the On-Sale Bar Evidence

Applying *Pfaff*[7], the Federal Circuit quickly concluded that the district court did not abuse its discretion in concluding that claimed system was ready for patenting and was the subject of a pre-critical date offer for sale. Specifically, with respect to the first prong, the Court upheld the district court's reliance on the 2003 testing (and contemporaneous documents and statements about that testing). With respect to the second prong, the Federal Circuit affirmed that the August 1, 2003, free-trial proposal constituted an offer for sale as it satisfied the requirements of the UCC.

Intent to Withhold as the Most Reasonable Inference

Agreeing that the 2003 tests and offer (and related documents) constituted material information, the Federal Circuit next affirmed the district court's intent analysis, concluding that it did not abuse its discretion by concluding "for numerous reasons that CleanTech deliberately withheld material information." Specifically, the Federal Circuit relied on the withheld 2003 tests and offer, the two inventor declarations, and a "threat" CleanTech made to one of its clients.

According to the Federal Circuit, CleanTech and its counsel were not only aware of the 2003 tests and offer-for-sale, but also their import to patentability. Indeed, the Federal Circuit notes that the inventors early on had searched the Patent Office website for information on provisional applications and the on-sale bar. According to the Court, knowing the import of the 2003 tests and offer, but failing to disclose them further supports a finding of intent, noting that when patentees are not "up front" with the Patent Office, "they run the risk that later a court will conclude that they intended to deceive." [8]

The Federal Circuit also relied on two inventor declarations to conclude that CleanTech and outside counsel intentionally withheld material information. The first contained the "patently false" statement that the offer-for-sale was hand delivered on August 18, 2004 (after the critical date), not on August 1, 2004 (before the critical date). After withdrawing the first declaration, CleanTech filed a second declaration admitting the August 1, 2004, date, but failed to explain the discrepancies between the first and second declarations, nor explain the relevance of the August 1, 2004, date to the Examiner. According to the Court, those declarations further supported the intent to deceive determination.

Finally, the Federal Circuit relied on a "threat" to affirm inequitable conduct. After the 2003 tests and offer came to light during prosecution, CleanTech and its outside counsel offered the original

recipient of the 2003 offer-for-sale a “release from liability” and a royalty-free license “in exchange for its willingness to admit the pending patents were valid.” According to the Court, these “attempts to threaten” supported finding an intent to deceive.

Conclusion

CleanTech serves as an excellent example of the Federal Circuit’s approach to analyzing inequitable conduct, with a particular focus on patterns of misconduct and willingness to look outside the prosecution context for evidence of intent. As such, it should be a reminder to practitioners to consider how actions both before and away from the Patent Office will be scrutinized during an assessment of inequitable conduct.

[1] *Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (*en banc*).

[2] See, e.g., *Intellect Wireless, Inc. v. HTC Corp.*, 732 F.3d 1339, 1345(2013) (finding the inventor “engaged in a pattern of deceit”); *Apotex, Inc. v. UCB, Inc.*, 763 F.3d 1354, 1362 (2014) (holding that “[i]n the aggregate, [the inventor’s] conduct evidences a pattern of lack of candor”); see also *Gilead Sciences Inc. v. Merck & Co. Inc.*, 888 F.3d 1231 (Fed. Cir. 2018) (affirming the conclusion that “[a]ny one of these acts...would be sufficient to invoke the doctrine of unclean hands; but together, these acts unmistakably constitute egregious misconduct.”)

[3] *Regeneron Pharms, Inc. v. Merus N.V.*, 878 F.3d 1041 (Fed. Cir. 2017).

[4] *Gilead*, 888 F.3d at 1244.

[5] *GS CleanTech Corp. v. Adkins Energy LLC*, No. 16-2231 (Fed. Cir. Mar. 2, 2020).

[6] The district court held the asserted claims invalid because of the on-sale bar, anticipation, obviousness, incorrect inventorship, inadequate written description, lack of enablement, and indefiniteness.

[7] *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55 (1998).

[8] Citing *Molins PLC v. Tex-tron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995).

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