

G S Cleantech Petitions Fed. Cir. for Rehearing En Banc

Article By:

Warren Woessner

Before you read this post, please read or re-read my post of [March 9, 2020](#), that summarized the panel decision in some detail. The case involves the district court's finding of inequitable conduct by both CleanTech and their attorneys via a bench trial, following its summary judgment ruling that the patents-in-suit were invalid because they were offered for sale prior to the one year grace period of s. 102(b). The patents were directed to a process for recovering oil from "thin silage", that is a by-product of ethanol production, by evaporating the silage to yield a "syrup" and centrifuging the syrup. Here are the last two paragraphs of my earlier post:

"Inequitable conduct findings put great weight on the attorney's subjective state of mind. If you shoot at someone, believe you have killed them, and so throw the gun away, should you be found guilty of murder? [ed. note: answer is No]. The Fed. Cir. [panel's] emphasis on the failure of CleanTech to argue this defense below is at least troubling.

If, legally, under the UCC, there was an offer to sell prior to the bar date, the patents are [objectively] invalid. But if the attorneys [at Cantor Colburn] and the inventors reasonably [—or even unreasonably—] believed that there was no offer to sell, the elements of an IC inquiry such [failure to submit *known* material information] evaporate, right? Even if the attorneys/[inventors] knew of the proposal [called 'the Letter' in the petition], but didn't believe it was a 'prior commercial sale', and so believed it was not material and decided to withhold it, not all the elements of IC are met. Even if the attorney failed to give the inventors correct advice in view of this exotic [point of UCC law], does this rise above the level of negligence? The opinion reads like a good 'who done it' but the ending falls legally flat."

The questions presented in the Petition follow:

1. When a d. c.'s summary judgment of invalidity conclusively establishes the "materiality" prong of inequitable conduct, may this court [the Fed. Cir.] refuse to review the S.J. de novo, and only review the IC finding for "abuse of discretion"?
2. May this court find that an appellant "waived" reliance on controlling, dispositive authority because it cited that authority "only once" below?
3. May this court review factual findings of "materiality" and "intent" for abuse of discretion, in violation of *Star Scientific*?

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4. May this court affirm, in a single footnote, a S. J. of obviousness, despite the presence of genuine factual disputes, and even though the d. c.'s decision lacked the required "cogent reasoning."

Even though these questions seem to be primarily procedural, the petition for rehearing en banc reads like the next chapter in this novel. The central substantive questions are not "did the attorneys/inventors intend to conceal evidence of the on-sale bar" (thus demonstrating the "intent to deceive" element), not even "did the attorneys/inventors believe that the Letter was conclusive evidence that would trigger the on-sale bar", but rather "was the Letter and facts surrounding it sufficient to meet the hard but-for materiality standard of *Therasense*." To meet that standard, the Letter and the facts surrounding it had to be sufficient to trigger the on-sale bar and to negate the experimental use exception to the on-sale bar. The *Therasense* court continued:

"This higher intent standard [of *Kingsdown*], standing alone, did not reduce the number of inequitable conduct cases before the courts and did not cure the problem of overdisclosure of marginally relevant prior art to the PTO. To address these concerns, this court adjusts as well the standard for materiality." Slip. Op. at 25...When an applicant fails to disclose prior art to the PTO, that prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art."

In fact, the PTO does not get to decide whether or not the Examiner would have rejected the claims, applying the PTO standards of "preponderance of the evidence" giving the claims "the broadest reasonable construction." The reviewing court makes that decision.

For a moment, I considered that CleanTech's behavior may have fallen into the catch-all trap of "affirmative egregious misconduct", since at least the first Cantrell declaration provided a false date for delivery of the Letter to the putative purchaser, and "[a]ffidavits are inherently material". However, the *Therasense* court clarified the weight to be given to a declaration containing, e.g. incorrect dates of the prior art Letter, or mentioning the prior art Letter but not fully explaining it:

"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."

So here we are, back at the requirement for but-for materiality, and the petition for rehearing en banc's key arguments. Since the trial court invalidated the patents based on application of the on-sale bar on summary judgment, but decided the IC question after a later bench trial, CleanTech argues that the court nullified its right to appeal the "partial" S. J., since not all of the claims in the suit had been settled. The petition also argues that the Fed. Cir. panel should have reviewed the summary judgment, which was based on the on-sale bar, de novo, without deference, instead applying the abuse of discretion standard to affirm both the district court's summary judgment of materiality and its later finding of IC. In effect, this left only the issue of intent to be decided at the IC bench trial, and CleanTech was barred from submitting additional information on the 'known materiality' prong of the IC charge.

Substantively, CleanTech argues that there were genuine disputes on whether an offer for sale or a sale had been made, or did the Letter primarily have an "experimental purpose", a question of fact that should not have been decided on summary judgment. The controlling dispositive authority that the petition argues was cited in the opposition to the S. J. but not considered by the Panel,

is *Plumtree Software v. Datamize*, 473 F.3d 1152 (Fed. Cir. 2006). The reasoning of the d. c. was that, before the critical date, Plumtree (then “MA”) offered to install an interactive kiosk embodying the software claims in suit at a tradeshow for a waiver of the registration fee. The Fed. Cir. wrote that determination of whether an invention was on sale is a question of law that the court will review without deference, as is the grant of summary judgment. The inventor met with the tradeshow’s promoter, SLA, but testified that he did not explain how the proprietary software allowed for “rapid updating.” The parties agreed to the terms above. The show was held after the critical date and the Fed. Cir. found that it was unclear whether or not the patented process was used by anyone *in accord with the contract* before the critical date. The parties had stipulated that the invention had been reduced to practice before the tradeshow. The Fed. Cir. found that MA had received consideration prior to the critical date.

However, the Fed. Cir. found that, while there was a commercial offer between MA and SLA before the critical date, but that the contract was ambiguous as to whether or not the contract required MA to provide the kiosk system software or to perform the patented method, [ed. note – “itself”?] and that there was no evidence beyond the contract that indicated that MA was bound to perform the patented method. The Fed. Cir. also found that there was no evidence that MA performed all of the critical process steps before the critical date, pursuant to the contract. While the software – the authoring tool – was used to create the kiosk system displayed at the tradeshow, the kiosk system was not finished until after the critical date, “and it is unclear whether [the inventor] performed each of the patented method steps before the critical date. The Fed. Cir. went on to remand the case for further fact-finding, and did not discuss the experimental use exception to the on-sale bar, if that point was argued, because the court found that the on-sale bar had not been established.

In the Cleantech panel decision, Cleantech argued that the Letter did not trigger the on-sale bar – “or at least there were genuine disputes of fact” – since (i) the Letter did not unambiguously require use of Plaintiff’s patented method [citing Plumtree], the letter proposed no more than an experimental use, and that the invention was not ready for patenting. Of course, in this case, unlike Plumtree, the parties did not enter into a sales contract where the parties agreed that Agri-Energy would pay some amount to use the “test module” to carry out the patented process. Rather CleanTech offered the “test module” to Agri-Energy for a sixty day trial, after which Agri-Energy could buy the module for a stated price, or send it back. It seems relevant that Agri-Energy would be under no obligation to operate the “test module” for any purpose. They could let it sit in their factory for sixty days, then just send it back.

While the d. c. ruled, and the panel agreed that, under the UCC, the Letter was a “sale on approval”, it could be no more than an “offer to enter into a sale on approval”, if there is such a doctrine and, as we know, the offer was not accepted. The panel went on to affirm the d. c.’s finding that the invention was ready for patenting, and that the experimental use exception to the on-sale bar did not apply. After reading the petition, it seems that the panel’s truncated summary of the *Allen* factors left much to be desired. There are 13 factors that a court is supposed to consider when it is attempting to resolve whether or not the Letter was an offer for sale or rather, was for the purpose of further experimentation. See, e.g, *Energy Heating v. H-O-T-F*, a recent Fed. Cir. decision cited repeatedly by the panel for a complete list of the factors.

The panel’s opinion only mentions CleanTech’s arguments regarding factors (1) and (10). The petition states that the inventors testified that they needed to experiment with the invention in an ethanol plant, the Letter said it was for a trial, that all discoveries resulting from the trial process shall remain the property of [Cleantech] and be confidential, the inventors would control and modify the testing, and the option to buy would vest only after the critical date. These statements would implicate

at least Allen factors (2), (4), (6), (8), (10) and (12) – although some of the factors would only have come into play if the Letter was accepted, they were apparently present in the Letter.

The panel's finding that CleanTech's arguments about the activity did not give rise to, at least, a question of experimental use are undercut by the language of the opinion, which uses the terms "tests" or "testing" six times on one page (See slip op. at 9). For example, an Agri-Energy employee conducted what appears to have been a bench test of the process, and "recommended additional testing at a plant." He traveled to [CleanTech] where he conducted additional experiments. The panel's opinion states: "During the test, the centrifuge separated the oil from the syrup, but the centrifuge repeatedly clogged." This sounds a lot like a failed experiment. The offer Letter followed which referred to the equipment used to carry out the process, as "a test module". In fact, Agri-Energy did not accept the terms of the Letter.

To try to come full circle, I think that [CleanTech and their law firm was "punished"](#) with an IC finding, primarily because they tried to strengthen their experimental use argument by later contacting Agri-Energy and asking them to confirm facts that indicated that use of the process was for testing purposes. The false or incomplete declarations that were filed during prosecution did not help matters any but, as noted above, declarations that purposely omit prior art do not rise to the level of affirmative egregious misconduct, although they may evidence intent to commit inequitable conduct.

Let's close, if you got this far, with my attempted murder analogy. I don't think that there is any question regarding CleanTech and Cantor Colburn's intent to suppress evidence that they believed would lead the PTO to reject the claims under the offer to sell bar. Nonetheless, if there was in fact no offer-to-sell bar –no matter what the inventors or their attorneys believed– no known material information was kept from the PTO, and there can be no finding of IC. If you shoot a gun at someone and think you have killed him/her, but you are wrong, and so throw away the gun, you are still not guilty of murder. Likewise, if you believe that you have created a statutory bar to patenting, and so you suppress evidence of the bar but, in fact, there is no statutory bar, no information material to patentability was suppressed, and you cannot be found to have committed inequitable conduct. Is there any interest in turning this post into an amicus brief?

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