

The Federal Circuit Continues to Make Inequitable Conduct More Difficult to Prove

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Inequitable conduct is an equitable defense to a charge of patent infringement that, when established, precludes the enforcement of the patent-in-suit. To prove unenforceability based on inequitable conduct, the accused infringer must demonstrate by clear and convincing evidence that the patentee, patent attorney, or patent agent misrepresented or omitted material information with the intent to deceive or mislead the patent examiner into issuing a patent.

Over the years, this equitable defense has become an overused litigation tactic that has been characterized by the Court of Appeals for the Federal Circuit as “an absolute plague.” Last year, in an attempt to curtail the almost reflex use of this defense, the Court imposed a more rigorous standard to prove inequitable conduct. ***Therasense, Inc. v. Becton, Dickinson & Co.***, 649 F.3d 1276 (Fed. Cir. 2011) (en banc). The Federal Circuit’s recent decision, ***1st Media, LLC v. Electronic Arts, Inc.***, No. 2010-1435, 2012 U.S. App. LEXIS 19250 (Fed. Cir. Sept. 13, 2012), highlights the difficulty of proving the intent element of the new *Therasense* standard.

Inequitable Conduct Under *Therasense*

Therasense abolished the “sliding scale” approach of weighing materiality and intent where, for example, a strong showing of materiality could overcome a weak showing of intent and render a patent unenforceable. *Therasense*, 649 F.3d at 1290-91. In its place, the Federal Circuit held that materiality and intent are separate elements of the inequitable conduct analysis requiring clear and convincing evidence that (1) the non-disclosed reference or information was “but for” material (*i.e.*, the Patent Office would not have allowed a claim to issue had it been aware of the withheld reference or information), and (2) there was a specific intent to deceive the Patent Office. *Id.* Further, specific intent to deceive the Patent Office must be the “single most reasonable inference that can be drawn from the evidence,” and is satisfied by demonstrating that the patentee, or the patent attorney or agent responsible for prosecuting the application (1) knew the non-disclosed reference was material, and (2) made a “deliberate decision” to withhold the reference. *Id.* at 1290.

1st Media, LLC v. Electronic Arts, Inc.

In *1st Media*, the accused infringer pled inequitable conduct as an affirmative defense and also counterclaimed for a declaratory judgment of unenforceability. It was alleged that the patentee and

his attorney failed to disclose three references they became aware of during the thirty-nine month period, after receipt of the patent-in-suit's Notice of Allowance but before payment of the issue fee, while prosecuting three related patent applications (*i.e.*, the European counterpart application of the patent-in-suit, and two other U.S. applications having specifications that substantially overlapped with the patent-in-suit's specification).

Discovery and the trial were bifurcated, and the initial portion of the litigation was limited to inequitable conduct. At the conclusion of fact and expert discovery, there was two-day bench trial with both the patentee and his patent attorney appearing as witnesses. The patentee testified that one admittedly "relevant" reference was not disclosed because it was "an oversight that got lost in the cracks." Further, his attorney, with more than thirty years of patent prosecution experience, averred that another reference was not disclosed because it "never sparked an awareness or belief" that it should be disclosed, and also sought to defend the non-disclosure of references by arguing his new solo practice was "very active" at the time.

After considering the evidence and the demeanor of the witnesses, and without the benefit of the Federal Circuit's *Therasense* decision, the district court issued a thirty-five page opinion with 186 separate, single-spaced findings of fact and conclusions of law. The district court dismissed the explanations offered for withholding the references as not credible and noted that the patentee's testimony "was at times evasive and some of his testimony was exposed as unreliable" while the patent attorney "was repeatedly contradicted by the facts." In granting the accused infringer's declaratory judgment of unenforceability, the district court found that the withheld references were "highly material and that the single most reasonable inference drawn from all the evidence offered at trial is that [the patentee and his patent attorney] withheld this information with a specific intent to deceive" the Patent Office.

The Federal Circuit Raises the Inequitable Conduct Bar Again

Despite a two-day hearing that provided the district court judge the opportunity to evaluate the credibility of the patentee and his attorney, and ultimately conclude that "the single most reasonable inference" to be drawn from all the evidence was that there was a "specific intent" to withhold material references during the prosecution of the patent-in-suit, the Federal Circuit nevertheless reversed the finding of inequitable conduct. *1st Media*, 2012 U.S. App. LEXIS 19250, at *2. Focusing on the intent element of *Therasense*, the Federal Circuit reiterated that knowledge of a withheld reference's materiality "cannot by itself prove, let alone clearly and convincingly prove, that any subsequent non-disclosure was based on a deliberate decision." *Id.* at *20. Then, relying on the accused infringer's concession at oral argument that there was no "direct evidence" that the patentee and his attorney intended to deceive the Patent Office, *id.* at *13-14, and the district court's failure to "cite any evidence of a deliberate decision to withhold [the references], or anything that would support such an inference," the Federal Circuit reversed the unenforceability judgment. *Id.* at *21, 24-25.

Key Takeaways

Putting aside the difficulty of establishing "but for" materiality, the Federal Circuit's *1st Media* decision underscores the formidable obstacles that must be overcome under the new *Therasense* standard to demonstrate the requisite intent to deceive the Patent Office and prove inequitable conduct.

After *Therasense*, the intent element of inequitable conduct may no longer be inferred from the simple fact that a known, material reference was withheld during prosecution. As the *1st*

Media decision illustrates, it will be more challenging to establish the intent element of *Therasense* without that elusive “smoking gun” communication detailing a deliberate decision to withhold a material reference which, if ever committed to writing, would in all probability be reduced to a cryptic entry on the patentee’s privilege document list. Without direct evidence of a deliberate decision on the part of the patentee, patent attorney, or patent agent to withhold a material reference, accused infringers may still piece together what was and what was not disclosed to the Patent Office and attempt to establish that during the prosecution of the patent-in-suit there was “selective manipulation of where, when and how much of material information should be disclosed” to prove the intent element of *Therasense*.

One of the more striking aspects of *1st Media* is the Federal Circuit’s recognition that the intent element of *Therasense* cannot be satisfied simply because of “carelessness, lack of attention, poor docketing or cross-referencing, or anything else that might be considered negligent or even grossly negligent” on the part of the patentee, patent attorney or patent agent. *Id.* at *18. The Federal Circuit’s endorsement of excuses that can explain away withholding material references during prosecution, if unchecked, will have at least one significant, unintended consequence. The list of “sanctioned” excuses will embolden a less scrupulous practitioner to deliberately withhold material prior art, knowing that even if an accused infringer meets its burden and proves an intent to deceive by clear and convincing evidence, those excuses can be relied upon to explain away his or her actions.

Many predicted that *Therasense* would mark the beginning of the end of the inequitable conduct defense. The Federal Circuit’s decision in *1st Media* reinforces that belief as the standard articulated in *Therasense* continues to evolve and the task of establishing inequitable conduct becomes incrementally more difficult.

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