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Inequitable Conduct Pitfalls – Special Considerations for Reexaminations and Complex Family Prosecutions

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Patent prosecutors, beware: The latest decision from the Federal Circuit on the materiality prong of inequitable conduct, *Larson v. Aluminart*,^[1] makes it clear that office actions from related, copending applications can be material to prosecution. This is true even where the fact of the copendency has been disclosed and the office actions discuss only cumulative art. But patent prosecutors, take heart: Notifying the examiner of related prosecution and disclosing earlier documents from that related prosecution evinces good faith, not deceptive intent. And litigators, pay attention: Reexaminations completed during a litigation can present inequitable conduct issues or defenses.

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Background

Larson began with a suit for infringement in district court. The alleged infringer asserted inequitable conduct during the prosecution of the patent in suit (U.S. Patent No. 6,618,998), and requested a reexamination based on a reference (the Johnson patent) not before the examiner during the original prosecution. The Patent Office granted the reexamination request, and the district court stayed the litigation pending the reexamination. The plaintiff-patentee thereafter prosecuted the reexamination while simultaneously prosecuting a continuation application (the '039) of the '998 patent. Once the '998 patent emerged from reexamination, the district court lifted the stay. The alleged infringer then asserted a *second* inequitable conduct defense – this time, based on the patent owner's actions during the *reexamination* proceedings.^[2]

In its reexamination request, the alleged infringer included the First Office Action from the '039 continuation prosecution.^[3] Through Information Disclosure Statements, reexamination counsel for the patentee (who was also handling the '039 prosecution) disclosed around 200 patents, pleadings from the stayed district court litigation, the Second Office Action from the '039 prosecution, and three additional references from that prosecution to the Reexamination Panel.^[4] But the patentee never informed the Reexamination Panel of later-issued Third and Fourth Office Actions from the '039 prosecution, a German patent cited in the Fourth Office Action, or two other items of prior art.^[5] After the Patent Office completed the reexamination (some claims cancelled, some confirmed, some slightly amended),^[6] and the district court lifted the stay, the alleged infringer accused the patentee of inequitable conduct in the reexamination for failure to disclose three prior art items and two office actions (the Third and Fourth

Office Actions) from the prosecution of the '039 continuation that was pending during the reexamination of the '998 patent.^[7] The district court dismissed the suit after a bench trial, having found the '998 patent unenforceable for inequitable conduct during reexamination, based on the patentee's failure to disclose the Third and Fourth Office Actions from the '039 prosecution, the German patent, and the two other items of prior art.^[8]

Materiality of Office Actions from Copending Continuation Application

On appeal, the patentee did not dispute the similarity of the claims in the '998 reexamination and the '039 application, but instead asserted that the Third and Fourth Office Actions in the '039 prosecution were not material because the examiner's rejections and analysis were no different from the previous office actions and discussed no new material references. In a panel opinion by Judge Schall, the Federal Circuit found no clear error in the district judge's determination that the Third and Fourth Office Actions were material to the prosecution of the '998 reexamination.^[9] The court was unpersuaded by the patentee's arguments on this point "because they disregard the proposition that 'knowledge of a potentially different interpretation is clearly information that an examiner could consider important when examining an application.'"^[10] Further, the Third and Fourth Office Actions were not simply "boilerplate reiterations of previous rejections."^[11] Rather, the Third Office Action was the first to "convey[] such specific explanation about the Johnson patent in connection with [a particular limitation relevant to the '998 reexamination]."^[12] Interestingly, in the Fourth Office Action, the examiner in the '039 prosecution withdrew that particular rejection from the Third Office Action based on the Johnson patent, coming to the same "ultimate conclusion" as the Reexamination Panel on this point.^[13] But the later withdrawal did "not change the fact that the Third Office Action contained valuable reasoning and rejections at the time when it was made."^[14] The court pointed out that until the Fourth Office action issued, the Third Office Action was operative. Thus, "there was an adverse decision by another examiner that refuted, or was inconsistent with, the position" taken by the patentee in the '998 reexamination, which rendered the Third Office Action material.^[15] As for the Fourth Office Action itself, the Federal Circuit concluded it was material because it was an "adverse decision . . . based on a different explanation and interpretation" of the prior art and came to a conclusion at odds with that of the Reexamination Panel.^[16]

Guidelines on Intent

Because the district court's judgment of unenforceability relied in part on the materiality of the references the Federal Circuit determined were cumulative (*i.e.* the German patent and the two other prior art items), the Federal Circuit vacated and remanded for further consideration of the intent prong and ultimate determination of inequitable conduct.^[17] Among other things, the court instructed the district court to "take into account any evidence of good faith, which militates against a finding of deceptive intent," noting that the alleged infringer must first prove "the threshold level of deceptive intent" before the patentee is required to offer evidence of good faith.^[18] Specifically, the Federal Circuit directed the district court to "consider" that the patentee had put the Reexamination Panel on notice of the copendency of the '039 application and had disclosed the Second Office Action from the '039 prosecution and pleadings from the district court litigation prior to the district court's stay pending reexamination of the '998 patent. So although the Federal Circuit did not go so far as to tell the district court to find no intent on remand, the court's "guidance" could hardly have been clearer.

Judge Linn's Concurrence – Time for *En Banc* Review of Intent?

In his concurrence, Judge Linn explained he felt compelled by precedent to join the majority, but decried the case as symptomatic of the "plague" of inequitable conduct.^[19] According to Judge Linn, the court has drifted away from the high standards of proof for inequitable conduct articulated in *Kingsdown*^[20] to a regime in which gross negligence, and perhaps even simple negligence, may justify an inference of deceptive intent.^[21] Because of this divergence, Judge Linn called for *en banc* review of the test for inference of deceptive intent.

Analysis and Practice Pointers

In affirming the district court's determination that the Third and Fourth Office Actions from the '039 application were material to the '998 reexamination, the Federal Circuit cited a single case, *Dayco*, which "held 'that a contrary decision of another examiner reviewing a substantially similar claim' is

material.”^[22] In *Dayco*, the “contrary decision” came from an office action in a copending application in a separate family (no priority relationship to the patent in suit, though similar enough that the copending application would have been relevant for a potential double-patenting rejection), and the patentee (then, the applicant) had not disclosed either the fact of the copendency or the adverse office action itself. *Dayco* and *Larson* both recognize the materiality of adverse office actions in related applications, but also remanded with strong instructions to the district court steering away from findings of inequitable conduct where the proof of deceptive intent was thin or nonexistent.

Interestingly, the court in *Larson* did not cite to *McKesson*,^[23] another recent inequitable conduct case involving materiality of an office action. In *McKesson*, the patent applicant had failed to disclose an office action in a substantively related (though again not by priority) copending application and a subsequent notice of allowability from a continuation-in-part (CIP) of the patent in suit. As in *Larson*, the examiner had been aware of the fact of the copendent prosecution, but was not specifically notified of the office action. The Federal Circuit in *McKesson* found no clear error in the district court’s judgment of unenforceability.^[24] Notably, the district court had characterized the prosecuting attorney’s testimony as “not credible,” contradicted by the evidence, and undermined by his own prior testimony.^[25]

For prosecutors, *Larson*, *McKesson*, and *Dayco* underscore the importance of notifying the examiner of office actions in related prosecutions, whether or not the related prosecutions are within the same priority family as the application/patent undergoing reexamination. Simply notifying the examiner that another related application is copending is not sufficient – an undisclosed office action may still be material to prosecution even where the examiner is aware of the copendency.

For litigators, *Larson* provides yet another reason to consider reexamination as a parallel avenue of attacking a patent – actions by the patentee during reexamination may provide additional grounds for alleging inequitable conduct even if the reexamination ends favorably for the patentee, as in *Larson*. Especially when the patent in suit has been through or is undergoing reexamination, litigators now have even more incentive to scour copending office actions in prosecutions throughout the priority tree of the patent in suit and any other of the patentee’s other related applications. This includes continuations, divisionals, and CIPs of the issued patent that become copendent when the issued patent enters reexamination, as well as applications related by claimed subject matter but not priority. And when defending a patent undergoing reexamination, the patentee should maintain an awareness of what has (or has not) been disclosed to the Patent Office, to guard against even inadvertent nondisclosures that could leave the patent vulnerable to future charges of inequitable conduct.

Despite the ever-expanding universe of materiality, *Larson* cautions us not to forget about the other prong of inequitable conduct, intent. The Federal Circuit’s instructions on remand to the district courts in both *Larson* and *Dayco* make it clear that weak inferences of intent will not suffice. Even though the Federal Circuit has not yet taken up Judge Linn’s call for an *en banc* reevaluation of inequitable conduct, *Larson* suggests the court is keeping a close eye on inferences of intent.

Footnotes

^[1] *Larson Mfg. Co. v. Aluminart Prods. Ltd.*, No. 2008-1096, 2008 U.S. App. LEXIS 5572 (Fed. Cir. Mar. 18, 2009).

^[2] Slip op. at 6.

^[3] *Id.*

^[4] Slip op. at 7.

^[5] *Id.*

^[6] Slip op. at 8.

[7] Slip op. at 2.

[8] *Id.*

[9] Slip op. at 33.

[10] Slip op. at 31 (quoting *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1367 (Fed. Cir. 2003)).

[11] Slip op. at 31.

[12] *Id.*

[13] Slip op. at 32.

[14] *Id.*

[15] *Id.*

[16] Slip op. at 33.

[17] Slip op. at 34.

[18] Slip op. at 36.

[19] Linn, J., Concurrence, slip op. 1.

[20] *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 872, 876 (Fed. Cir. 1988) (en banc).

[21] *Larson*, Linn, J., Concurrence, slip op. 5.

[22] Slip op. 30 (quoting *Dayco*, 329 F.3d at 1368)).

[23] *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 487 F.3d 897 (Fed. Cir. 2007).

[24] *Id.* at 926.

[25] *Id.* at 911.