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Patent Prosecutors Beware, Litigators Take Note: Federal Circuit Affirms Novel Inequitable Conduct Ruling

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On May 18, 2007, the U.S. Court of Appeals for the Federal Circuit ruled in favor of Morrison client Bridge Medical, Inc., affirming a trial court ruling which had taken the rare step of holding an asserted patent unenforceable due to inequitable conduct. In the opinion, the Federal Circuit emphasizes several categories of information that a patent prosecutor must disclose to the Patent and Trademark Office in order to satisfy the duty of candor. Specifically, the Court held the patent at issue unenforceable because the prosecuting attorney intentionally withheld three pieces of material information from the PTO: (1) a prior art patent that had been brought to the attorney's attention by the examiner of a co-pending application, (2) the rejection of claims in that same co-pending application, and (3) the allowance of another co-pending application.

In December 2002, plaintiff McKesson Information Solutions sued Bridge Medical in the Eastern District of California, alleging infringement of U.S. Patent 4,857,716 ("the '716 patent"). The patent claims a three-node "patient identification system" for monitoring patients and medical items in a hospital setting. Bridge counterclaimed, asserting that the patent was unenforceable due to inequitable conduct committed by the prosecuting attorney. Following several years of discovery and motion practice, the district court presided over a bench trial on inequitable conduct in May 2006. The district court issued its findings of fact and conclusions of law in June 2006 holding that Bridge had proven, by clear and convincing evidence, that the patent was obtained through inequitable conduct and is therefore unenforceable.

The Federal Circuit's 50-page opinion affirms all three grounds for the inequitable conduct ruling. First, the prosecuting attorney withheld a prior art patent ("Baker") from the PTO. That patent had been brought to his attention by another PTO examiner in a co-pending application, but was never disclosed to the examiner who ultimately allowed the '716 patent. The Baker patent contradicted arguments the attorney had made for patentability, and was not cumulative to other art that had been cited. Moreover, the patentee had cancelled claims in the co-pending application in response to Baker, and those claims covered the asserted point of novelty of the '716 patent.

Second, the prosecuting attorney failed to disclose several rejections of claims in the same co-pending application, where those rejected claims included a combination of features the patentee had argued was novel in prosecuting the '716 patent. The Court rejected plaintiff's argument that disclosure of the existence of the co-pending application satisfied the prosecutor's duty to disclose the specific rejections. The Court applied and clarified its previous decision in *Dayco Products Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1367 (Fed. Cir. 2003). In that case, the Court had held that a "contrary decision of another examiner reviewing a substantially similar claim" was material and must be disclosed to the PTO. 329 F.3d at 1368. In the Bridge Medical decision, the Court emphasized that materiality can be proven in many ways. In the case of rejections of co-pending claims, "a showing of substantial similarity is sufficient to prove materiality," but those claims "need not be substantially similar in order to be material."

Finally, the Court held that failure to disclose the allowance of a different co-pending application constituted a third instance of inequitable conduct. The allowance gave rise to a "conceivable

double patenting rejection” and therefore should have been disclosed. The Court affirmed on this basis despite the fact that the same PTO Examiner reviewed both applications, citing the MPEP provision that counsels attorneys not to assume that an examiner remembers every detail of every file.