

Sheldon Mak Rose Anderson

INEQUITAQBLE CONDUCT BEFORE THE PATENT AND TRADEMARK OFFICE

by
Sheldon Mak Rose & Anderson

The Patent Office imposes a duty of candor and good faith on every inventor, his attorney or patent agent, and every other individual who attempts to prosecute a patent (37 CFR 1.56). This duty of candor requires anyone prosecuting a patent to disclose all material information relating to the invention, including the best mode to accomplish the invention, all material art known to the inventor, and any information that might render the invention unpatentable, such as a public use or published description of the invention occurring more than one year prior to the filing date of the patent application. Violation of this duty of candor can result in a finding of inequitable conduct.

A charge of inequitable conduct usually arises as a defense to a charge of patent infringement. If inequitable conduct is found, the patent is rendered unenforceable. Other undesirable consequences may result, including liability for attorney's fees and antitrust damages, and suspension or exclusion from practice before the Patent Office. Accordingly, attorneys and patent agents should disclose all material information of which they are aware.

What Conduct is Inequitable? Most findings of inequitable conduct are based on failure to disclose material information or misrepresentation of material information to the Patent Office. Intent is also a critical element. For a court to invalidate a patent due to inequitable conduct, it must find an intent to deceive the Patent Office. If both materiality and intent are established, levels of materiality and intent are then balanced to determine whether inequitable conduct exists. A determination of inequitable conduct is within the discretion of the court; there is no "bright line" rule.

The standard used in determining materiality is not whether the patent would not issue without the information in question, but whether a "reasonable" patent examiner would consider the information important. (37 CFR ^{1.56} 1.56(a)). For example, failure to disclose prior art can be a material omission even if the patent would still have issued if the prior art had been disclosed. *Merck & Co., Inc. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 10 U.S.P.Q.2d 1682 (Fed. Cir. Del. 1989).

Other types of omissions can also be material, such as failure to disclose the best mode of an invention and failure to reveal unfavorable test results. Testing which occurs more than one year prior to the date of filing the patent application can be material, even if the test is arguably for experimental use and thus an exception to the public use bar. *Airwick Industries, Inc. v. Sterling Drug, Inc.*, 720 F. Supp. 409, 11 U.S.P.Q.2d 1447 (D.N.J. 1989). Affirmative representation of a material fact is even more likely to lead to a finding of inequitable conduct than failure to disclose.

Besides failure to disclose or misrepresentation of a material fact, intent must be found. While it is easy to find intent to deceive the Patent Office where there is evidence of actual fraud, inequitable conduct is a broader concept that common law fraud (conduct that is inequitable is not necessary fraudulent). Recent cases have wrestled with the question of the threshold level of intent necessary to support a finding of inequitable conduct, and specifically with whether gross negligence alone can support a finding of intent to deceive.

In *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 9 U.S.P.Q.2d 1384 (Fed. Cir. 1988), newly hired counsel for Kingsdown mistakenly included a rejected version of a patent claim in a continuation application instead of the approved version. The district court held that inclusion of the rejected version was gross negligence, and that this was sufficient to satisfy the requirement of intent to deceive necessary for inequitable conduct.

The Federal Court reversed in an en banc decision. In a section of its opinion titled "Resolution of Conflicting Precedent," the court stated, "Some of our opinions have suggested that a finding of gross negligence compels a finding of an intent to deceive... Others have indicated that gross negligence alone does not mandate a finding of intent to deceive....We adopt the view that a finding that particular conduct amounts to 'gross negligence' does not of itself justify an inference of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive." [Emphasis added.]

The Federal Circuit found that when viewed in the context of the application proceedings and the multiplicity of claims involved, Kingsdown's conduct did not constitute action with a sinister intent to deceive, and that the district court had committed clear error in finding deceitful intent by drawing an inference from gross negligence.

Similarly, in *Hewlett-Packard v. Bausch & Lomb, Inc.*, 882 F.2d 1556, 11 U.S.P.Q.2d 1750 (Fed. Cir. 1989), the Federal Circuit reversed the district court's finding that Bausch & Lomb's failure to verify the accuracy of affidavits it submitted to the Patent Office was grossly negligent and sufficient for a finding of inequitable conduct. The Federal Circuit did say that a finding of gross negligence when combined with other factors might support a finding of intent to deceive, but very clearly stated that the label of "gross negligence" covers too wide a range of conduct to create an inference of intent to deceive in all cases. Some circumstances which the Federal Circuit found could give rise to an inference of wrongful intent are a studied ignorance of the facts, reckless indifference to the truth, and a complete absence of evidence of good faith. The Federal Circuit remanded to the district court for more findings of fact which when combined with a finding of gross negligence could support an inference of inequitable conduct.

What are the Consequences of Inequitable Conduct? Consequences of inequitable conduct can be severe. When a court has determined that inequitable conduct has occurred in relation to one or more claims during the prosecution of the patent application, the entire patent is rendered unenforceable. If the inequitable conduct occurs during reissue proceedings, the results are the same: all claims are rejected, not just those that were the subject of inequitable conduct. And inequitable conduct in the prosecution of one claim may also result in the rejection of related patent applications, as happened in *Consolidated Aluminum Corp. v. Fosco International, Ltd.*, 716 F.Supp. 316, 11 U.S.P.Q.2d 1817 (N.D. Ill. 1989).

A finding of inequitable conduct may result in a case being considered exceptional, warranting an award of attorney's fees to the prevailing party under 35 U.S.C. § 285 ("The court in exceptional cases may award reasonable attorney's fees to the prevailing party."). In *Airwick Industries, Inc.*, the Federal Circuit upheld an award of attorney's fees based upon a showing of intentional nondisclosure of highly material information.

Antitrust liability may also flow from a finding of inequitable conduct. The Supreme Court in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172, 86 S.Ct. 657, 147 U.S.P.Q. 404 (1965) held that inequitable conduct amounting to fraudulent procurement of a patent could form the basis for an antitrust claim under the Sherman Antitrust Act, resulting in treble damages under the Clayton Act. In *Walker Process Equipment*, the Supreme Court ruled it did not have enough facts to be able to determine if a claim of antitrust law violations was warranted, but it did recognize the cause of action and remanded for further determination of facts. In *Airwick Industries, Inc.*, the Federal Circuit relied on the decision in *Walker Process Equipment* in ruling that inequitable conduct must meet the higher showing required for fraud in order to violate the Sherman Act and be the basis of a Clayton Act treble damages recovery.

Attorneys and patent agents found guilty of inequitable conduct also face professional discipline. 35 U.S.C. § 32 empowers the Commissioner of Patents, after proper procedures have been followed, to "... suspend or exclude... from further practice before the Patent and Trademark Office, any person, agent or attorney shown to be incompetent or disreputable, or guilty of gross misconduct..."

In *Jaskiewisz v. Mossinghoff*, 822 F.2d 1053, 3 U.S.P.Q.2d 1294 (Fed. Cir. 1987), the Federal Circuit recognized that a finding of inequitable conduct by an attorney could amount to "gross misconduct" under 35 U.S.C. § 32 and noted that disciplinary action may be taken under the ABA Code of Professional Responsibility as well. In this case, the court felt the proposed sanctions of a two year suspension and a five year probation were too severe given the attorney's age of 63 and remanded to the Patent Office for reconsideration.

In *Klein V. Peterson*, 866 F.2d 412, 9 U.S.P.Q.2d 1558 (Fed. Cir. Dist. Col. 1989), the Federal Circuit affirmed a similar sanction of a two year suspension and five year probation for an attorney who on eleven occasions had

tried to misrepresent the filing dates of his Patent Office filings by using false Certificates of Mailing and false entries in his office log. The court again based its ruling not only upon violations of Patent Office rules but also upon violations of the ABA Code of Professional Responsibility. Given the court's reliance on the ABA Code, it is not unreasonable to infer that inequitable conduct could also be grounds for disbarment, especially if a pattern of misconduct exists.

Since disastrous consequences can result from violation of the duty of candor, a patent attorney should err on the side of caution and disclose any information that a patent examiner might possibly find relevant. A good faith effort at full disclosure will probably protect the patent attorney from being found guilty of inequitable conduct since the Federal Circuit no longer affirms inequitable conduct based solely on gross negligence.

Sheldon Mak Rose & Anderson PC
100 E. Corson Street, Third Floor
Pasadena, California 91103-3842
626-796-4000
626-795-6321 fax