



# Navigating the Risks of Inequitable Conduct

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# Outline

- Introduction
- Modern rule of inequitable conduct
- Defining materiality
- Typical assertions
- Managing inequitable conduct risks



# Introduction

- Misconduct by a patent applicant in the course of PTO's examination
- Defense is old
  - Patent Act of 1790
  - Supreme Court decisions from the 1930s and 40s





# Introduction

- Patent applicants “have an uncompromising duty to report to [the PTO] all facts concerning possible fraud or inequity underlying the applications in issue”

*Precision Instruments Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945)



# Introduction

- As the common law doctrine evolved, courts generally required proof of:
  - a material misrepresentation during patent prosecution; and
  - deceptive intent



# Modern Rule of Inequitable Conduct

- Patent may be unenforceable if during course of prosecution:
  - the applicant (or applicant's representative);
  - with intent to mislead or deceive the PTO;
  - fails to disclose material information *or*
  - submits materially false information



# Modern Rule of Inequitable Conduct

- Proving inequitable conduct requires:
  - First – a threshold showing of materiality;
  - Second – a threshold showing that applicant/representative intended to deceive or mislead the PTO; and
  - Third – a balancing of materiality and intent





# Defining Materiality – Old Rule 56

- The “old Rule 56” or “reasonable examiner” standard of materiality
  - “a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent”

37 CFR 1.56 (1977)



## Defining Materiality – New Rule 56

- The “new Rule 56” standard of materiality
  - information which is not cumulative; and
  - establishes a *prima facie* case of unpatentability, **or**
  - refutes, or is inconsistent with, a position taken in opposing or asserting an argument of patentability

37 CFR 1.56 (1992)

## Defining Materiality – New Rule 56

- New Rule 56 standard also defines who owes the duty of disclosure:
  - named inventors;
  - prosecuting attorney or agent;
  - others who are substantively involved in preparation or prosecution of application and who are associated with inventor or assignee



# Defining Materiality – New and Old Rule 56

- *New Rule 56 did not replace old Rule 56*
- *New Rule 56 “merely provides an additional test of materiality”*

*Digital Control Inc. v. The Charles Machine Works, 437 F.3d 1309,1316 (Fed. Cir. 2006)*





# Defining Materiality – Common Law Standards

- The objective “but for” standard
  - the misrepresentation was so material that the patent never should not have issued



# Defining Materiality – Common Law Standards

- The subjective “but for” standard
  - the misrepresentation actually caused the examiner to approve the patent application when he would not have otherwise done so



# Defining Materiality – Common Law Standards

- The “but it may have” standard
  - the misrepresentation may have influenced the patent examiner in the course of prosecution





# Materiality Scorecard

- Five Standards of Materiality
  - Old Rule 56
  - New Rule 56
  - Should not have issued
  - Would not have issued
  - May have influenced examiner
- The greater the materiality under any one standard, the lesser the intent required for that standard



# Typical Inequitable Conduct Assertions

- You knew about prior art that was material to patentability, AND
- You failed to disclose it to the PTO
  - need to show a deliberate decision to withhold a known material reference
  - by a person having disclosure duty



# Typical Inequitable Conduct Assertions

- Common “failure to disclose” fact patterns:
  - related cases with common inventors
  - prior art cited in foreign counterpart
  - prior art discussed in corporate documents or during inventive efforts
  - prior art found during patent search
  - public use or sales





# Typical Inequitable Conduct Assertions

- You knew about prior art that was material to patentability, AND
- You failed to disclose it to the PTO, AND
- You made arguments that you could not have made had you cited it
  - Arguably greater showing of intent to mislead



# Typical Inequitable Conduct Assertions

- You hid material information from the PTO.
- Common “hiding” fact patterns:
  - “burying” most relevant prior art
  - focusing examiner on one part of a prior art reference while ignoring more material part
  - providing PTO with a materially incomplete translation



# Typical Inequitable Conduct Assertions

- You submitted a false or misleading declaration or oath to the PTO.
  - generally easier to show materiality when it involves false or misleading declaration





# Typical Inequitable Conduct Assertions

- Common “false declaration” fact patterns:
  - misrepresenting true date of invention to avoid prior art rejection
  - misrepresenting test results
  - misrepresenting dates of sales
  - misrepresenting patent search results



# Managing Risks of Inequitable Conduct

- Two risks:
  - Risk #1 - a court finds patent unenforceable due to inequitable conduct
  - Risk #2 – Risk #1 comes to pass AND client blames prosecution counsel
    - for counsel's own conduct, or
    - for failing to advise client about client's disclosure duty



# Managing Risks of Inequitable Conduct

- Good client communications
  - identify who owes duty
  - let them know it
  - advise them of it
  - identify risks of non-compliance
  - document the advice
- Ensure that documents you provide are in language they understand
  - e.g. translated inventor declaration





# Managing Risks of Inequitable Conduct

- Communicate with client about:
  - known prior publications
  - public uses, offers and sales
  - inventorship issues
  - other patents/applications with common inventors
  - related foreign applications



# Managing Risks of Inequitable Conduct

- PTO communications must be accurate and defensible
  - characterizations of the prior art and the invention
    - should be limited to statements needed to overcome PTO rejection
  - reporting of test results
  - translations of foreign publications
  - reporting of other applications



# Managing Risks of Inequitable Conduct

- When in doubt, disclose the information to the PTO





# Managing Risks of Inequitable Conduct

- Internal practices
  - attorney/agent training and supervision
  - infrastructure and staff equipped for a patent prosecution practice
    - docketing
    - checklists
    - Information Disclosure Statements
    - processing of communications with clients and foreign agents



# Managing Risks of Inequitable Conduct

- PTO suggests documenting everything to avoid duty of disclosure problems
- too much documentation can cause client more harm than good
  - fodder for patent defense counsel
- consider implementing prosecution document retention policy



# Conclusion

- Be omniscient
- Be selective at intake
- Know your client





**THANK YOU!**