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Inequitable Conduct and Opinions of Counsel: Are You at Risk?

Elin Hartrum (CV Therapeutics)
Gerald F. Swiss (Foley & Lardner LLP)
George C. Best (Foley & Lardner LLP)

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Overview

- Significant Recent CAFC Inequitable Conduct Cases
- Important USPTO Ethical Interpretations Regarding Rules Governing PTO Practice
- Opinion Letters and Induced Infringement

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Our Ethical Duty of Candor

- A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability. Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability as defined in this section. The duty to disclose information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned. Information material to the patentability of a claim
- 37 C.F.R. § 1.56(a)



Parallel State Provisions

- In presenting a matter to a tribunal, a member:
 - (A) Shall employ, for the purpose of maintaining the causes confided to the member such means only as are consistent with truth;
 - (B) Shall not seek to mislead the judge, judicial officer, or jury by an artifice or false statement of fact or law;
 - (C) Shall not intentionally misquote to a tribunal the language of a book, statute, or decision;
 - (D) Shall not, knowing its invalidity, cite as authority a decision that has been overruled or a statute that has been repealed or declared unconstitutional; and
 - (E) Shall not assert personal knowledge of the facts at issue, except when testifying as a witness.
- California RPC 5-200



Parallel State Provisions

- It is the duty of an attorney to do all of the following:
 - • •
 - (d) To employ, for the purpose of maintaining the causes confided to him or her those means only as are consistent with truth, and never to seek to mislead the judge or any judicial officer by an artifice or false statement of fact or law.
- Cal. Bus. Prof. Code § 6068.

What is Material Information?

- Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and
 - (1) It establishes, by itself or in combination with other information, a *prima facie* case of unpatentability of a claim; or
 - (2) It refutes, or is inconsistent with, a position the applicant takes in:
 - (i) Opposing an argument of unpatentability relied on by the Office, or
 - (ii) Asserting an argument of patentability.

37 C.F.R. § 1.56(b)

What is Material Information?

- Surprising one CAFC decision expands Material Information as it relates to inequitable conduct:
 - Cumulative art that more clearly discloses a claim element
 - PTO decisions in closely related applications
 - *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 487 F.3d 897 (Fed. Cir. 2007)

McKesson

- District Court found inequitable conduct due to non-disclosure of three items of information
 - Baker prior art patent
 - Rejection of broad claims in co-pending application
 - Allowance of claims co-pending application
- All three bases affirmed by CAFC

McKesson Briefly

- McKesson filed two applications which were assigned to different examiners.
- The first application was directed to a 3 node system for use in hospitals where the first node is a central computer, the second node is a base station and a third node is a portable hand-held device.
- The second application was directed to the hand-held device and dependent claims directed to the three node system were later added.

First Application Prosecution

- On Oct. 6, 1987, McKesson argued that the 3 node system was not taught or suggested in the art.
- The Examiner maintained a rejection of that claim but advised that Claim 6 was merely objected to.
- Applicant filed a continuation application wherein Claim 1 incorporated the recitations of Claim 6 thereby effecting allowance.

Prosecution of the Second Application

- The critical factor in the second case was on October 23, 1987 – seventeen days after the response in the first application – the examiner called the attorney and advised of a Baker reference that disclosed a three node system for use in telephones.
- The attorney eventually canceled those dependent claims to the 3 node system in the second application but failed to cite Baker in the first, still pending, application. The attorney did, however, cite the existence of the second application in the file wrapper of the first application.

McKesson

- Baker Prior Art Patent
 - Disclosed two features present in art already before examiner
 - District Court determined that Baker was not cumulative because Baker “more explicitly and clearly” disclosed the claim element than art already before examiner because Baker provided 18 columns of disclosure as compared to the other reference’s 12 columns!
 - CAFC affirms

McKesson

- Failure to disclose rejection of claims in co-pending application
 - Application of holding in *Dayco Products, Inc. v. Total Containment, Inc.*, 329 F.3d 1358 (Fed. Cir. 2003)
 - Rejection of claims in one application need to be cited in the second application if the rejected claims are “material” to pending claims.

Critical Language from McKesson

- “... rejected claims in a co-pending application also need not be substantially similar in order to be material” (pg. 35)
- “... information ... specifically considered and discarded as not material” ought to be “recorded in [the] attorney’s file, including the reasons for discarding it,” (pg. 32)

Critical Language from McKesson

- “... a prosecuting attorney should not “assume that [a PTO examiner] retains details of every pending file in his mind when he is reviewing a particular application,”

McKesson

- Failure to provide notice of allowance of co-pending application
 - Allowance of claims was material because it was conceivable that an examiner might have entered a double-patenting rejection

Panel dependence or Standard of Review?

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- On similar facts, the Federal Circuit recently affirmed a finding of no inequitable conduct

Eisai Co. v. Dr. Reddy's Labs., Ltd., 533 F.3d 1353 (Fed. Cir. 2008)

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Eisai Co.

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- Patent claimed a proton-pump inhibitor with a methoxy-propoxy substituent
- Patentee failed to disclose co-pending application with methoxy-ethoxy substituent or any Office Actions cited therein.
- District Court found low materiality and no intent
- Federal Circuit affirms

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What's the Difference (Besides the Panel)?

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- Eisai apparently was arguing selection invention of the propoxy and submitted a declaration showing superiority over the prior art but not over the ethoxy compound.
- Eisai always maintained that the propoxy compound was a separate invention.
- The district court found no intent to deceive.

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Deceptive Intent

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- District Court finds inequitable conduct due to failure to disclose prior art letter to PTO

Star Scientific, Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357 (Fed. Cir. 2008)

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Star Scientific

- Letter Disclosing Prior Art Not Noticed By New Counsel When Files Transferred

- Infringer's theory was that patentee sought to bury letter by replacing counsel and not indentifying contents of letter when new counsel

Star Scientific

- Federal Circuit reversed due to lack of evidence
 - No evidence that Inventor knew of statements in letter
 - No evidence that executive who decided to change counsel knew of existence of letter

Material Omissions

- Providing test data in a way that obscures differences in test procedures used can be inequitable conduct

Aventis Pharma S.A. v. Amphastar Pharms., Inc., 525 F.3d 1334 (Fed. Cir. 2008)

Aventis

- Application claimed admixtures of sulfated heparinic polysaccharides with particular molecular weight ranges
- Prior art disclosed admixtures within the claimed ranges

Aventis

- Claims amended to require an average molecular weight of between approximately 3,500 and 5,500 daltons
- Declaration submitted, purporting to show that claimed half-lives were not inherent property of prior art material
 - Data provided purporting to show that half-life of claimed material was different from half-life of prior art material
 - Declaration cited data supporting this argument

Aventis

- Problem: Tests used to generate data were performed at different dosages
 - One data table disclosed dosage used in test
 - Second table did not disclose dosage
- Rest of declaration was silent as to dosage
- District Court found that comparison of half-life at same dosages did not show a statistically significant difference

PTO Interpretation of Ethical Requirements for Practitioners

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- Presentation by Harry L. Moatz, Director of the Office of Enrollment and Discipline

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Major Areas of Misconduct Leading to OED Investigations

Complaints against registered patent practitioners and trademark attorneys tend to fall into three primary areas:

- ▶ Neglect
- ▶ Lack of candor—giving false or misleading information to the client, or the USPTO
- ▶ Failure of practitioner to make a reasonable inquiry



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Neglect

▶ Discharged Practitioner's Failure to Turn Over Files to New Representative

— *In the Matter of Hierl*,

<http://www.uspto.gov/web/offices/com/sol/foia/oed/disc/D2006-19.pdf> (PTO Dir 2007) (retaining lien does not entitle practitioner to retain communications received after discharge from PTO).



Duty To Make Reasonable Inquiry

- ▶ 37 CFR § 11.18(b) requires that submitted papers not be presented for improper purpose and claims are legally warranted. It imposes a duty of inquiry reasonable under the circumstances.
- ▶ Under 37 CFR § 11.18(b)(1), all filings carry with them the certification of the person signing the filing that any statement therein does not “cover[] up by any trick, scheme or device a material fact.”



What is Reasonable Inquiry?

- PTO has indicated that the duty of reasonable inquiry is quite broad
- Failure to discharge this duty potentially violates disciplinary rules

Duty To Make Reasonable Inquiry

- ▶ Failure to make a reasonable inquiry of any submitted paper may implicate one or more Disciplinary Rules.
 - 37 CFR § 10.23(b)(5) - prohibits engaging in conduct prejudicial to the administration of justice.
 - 37 CFR § 10.23(c)(10) - prohibits knowingly violating or causing 37 CFR § 1.56 to be violated.
 - 37 CFR § 10.23(c)(15) - prohibits signing a paper filed in the Office in violation of the provisions of 37 CFR § 10.18.
 - 37 CFR § 10.77(b) - prohibits handling a legal matter without adequate preparation.
 - 37 CFR § 10.77(c) - prohibits neglect of an entrusted legal matter.



OED's Broad Interpretation

- Imposes what some would call unreasonable or unrealistic burdens

Duty To Make Reasonable Inquiry

- ▶ Practitioners submitting papers must read each paper submitted to the Office before it is submitted. Each submitted paper must be read in its entirety.

– Must read regardless of the source of the paper.



Duty To Make Reasonable Inquiry

- ▶ Examples of conduct that may potentially be perceived as failure of the practitioner to make a reasonable inquiry:
 - Filing an application with claims that are anticipated by at least one publication authored by one of the inventors executing the 37 CFR § 1.63 declaration or oath.
 - Burying a reference material to patentability among a large number of cumulative references.
 - Filing an application with one or more claims unpatentable over a combination of prior art references cited by applicant in the specification.
 - Reasonable inquiry can be shown.



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Duty to Avoid Delay

- A party may not file a paper for an improper purpose or to delay PTO action
- Rules Implicated include
 - 37 C.F.R. § 10.23
 - Conduct prejudicial to the administration of justice
 - Knowingly violating or causing a Rule 56 violation
 - 37 C.F.R. § 10.77—inadequate preparation or neglect

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Obligation to Avoid Improper Purpose or Delay

- ▶ Ethical obligations to avoid improper purpose or delay arise under one or more Disciplinary Rules:
 - Disciplinary Rule 10.85 requires a practitioner to represent a client within the bounds of the law.
 - Disciplinary Rule 10.85(a) provides that in representation of a client, a practitioner shall not “(1) Initiate or defend any proceeding before the Office, assert a position, conduct a defense, delay a trial or proceeding before the Office, or take other action on behalf of the practitioner’s client when the practitioner knows or **when it is obvious that such action would serve merely to harass or maliciously injure another.**” (emphasis added)



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Obligation to Avoid Improper Purpose or Delay

- ▶ Ethical obligations to avoid improper purpose or delay arise under one or more Disciplinary Rules:
 - Causing unnecessary delay or needless increase in the cost of prosecution.

- Wastes USPTO resources.



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Obligation to Avoid Improper Purpose or Delay

- ▶ Examples of situations potentially involving improper purpose or delay.
 - A reference material to patentability is buried among a large number of cumulative references.
 - Buried reference anticipates one or more claims.
 - Claims not distinguished from reference.



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Obligation to Avoid Improper Purpose or Delay

- ▶ Examples of situations potentially involving improper purpose or delay:
 - Filing an amendment, petition or other paper without required fee.
 - Insufficient funds.
 - Stop payment.
 - Lack of funds.



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Opinions and Induced Infringement

- Whoever actively induces infringement of a patent shall be liable as an infringer.

35 U.S.C. § 271(b)

Inducing Infringement Requires Specific Intent

- Patentee must show that
 - the alleged infringer's actions induced infringing acts, and
 - the alleged infringer knew or should have known that his actions would induce actual infringement
 - This necessarily includes a requirement that the alleged infringer actually know of the patent

DSU Medical Corp. v. JMS Co., 471 F.3d 1293 (Fed. Cir. 2006) (en banc in relevant part)

Evidence Showing No Intent

- Opinion letters are evidence that can show a lack of culpable intent

Sharing Opinion Letters

- Attorney-Client Privilege Basics
 - Confidential Communications
 - Only Distributed within corporation on a need to know basis

Common Interest Doctrine

- Exception to normal rules regarding waiver
- Case law shows unpredictable application
- Basic Requirements
 - Communication made by separate parties in matter of common *legal* interest
 - Communication designed to further that interest
 - Privilege not otherwise waived

Common Interest Doctrine

- Common Legal Interest
 - Not merely common commercial interest
 - Patentee and licensee have common interest in obtaining strong patents
 - In re Regents of the Univ. of Cal.*, 101 F.3d 1386 (Fed. Cir. 1996)
 - Accused Infringer and Its Prospective Purchaser

Common Legal Interest

- Patentee and licensee have common interest in obtaining strong patents

In re Regents of the Univ. of Cal., 101 F.3d 1386 (Fed. Cir. 1996)

Common Legal Interest

- Accused Infringer and Potential Investors
 - Results mixed
 - Common Interest

Hewlett-Packard v. Bausch & Lomb, Inc., 115 F.R.D. 308 (N.D. Cal. 1987)

- No Common Interest

Nidec Corp. v. Victor Co. of Japan., 249 F.R.D. 575 (N.D. Cal. 2007)