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RAISING QUESTIONS ABOUT PATENT DECEPTION

Critics call for reform of the inequitable conduct doctrine

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A large number of critics are calling for reform of the inequitable conduct doctrine. The essential purpose of the doctrine is to prevent patent owners from enforcing patents obtained through fraud on the U.S. Patent and Trademark Office (PTO). Inequitable conduct requires clear and convincing evidence of a material act or omission together with an intent to deceive. While that standard may seem straightforward, the doctrine has been infected by inconsistent guidelines concerning the quantum of evidence necessary to prove the intent element of the defense.

Recent Expansion

Initially, loss of a patent for inequitable conduct was applied in cases of actual fraud on the PTO. One example would be the submission of a falsified article describing the inventor's work as "a remarkable advance" over the prior art. Subsequent development of the doctrine made it much more expansive and provided that evidence of gross negligence could be sufficient to prove intent to deceive. The Court of Appeals for the Federal Circuit, established by Congress to provide uniform guidance under the patent law, later swung the pendulum back and rejected the gross negligence standard, holding that carelessness alone cannot be evidence of intent to deceive.

While the rejection of the gross negligence standard indicated an effort to contain the expansion of the inequitable conduct doctrine, the Federal Circuit nevertheless continued to expand the doctrine to apply to situations without direct evidence of deceptive intent. For example, in one case the Federal Circuit affirmed a finding of inequitable conduct because the attorneys failed to disclose prior art despite the fact that the examiner found the missing prior art. In another case, the Federal Circuit affirmed a finding of inequitable conduct because the prophetic examples contained in the patent were written in past tense despite evidence that the inventor did not understand that verb tense could change the meaning of an example. In both cases, the Federal Circuit inferred deceptive intent based on indirect evidence, finding that those involved should have known that their actions could impact the PTO's examination of the patent application.

In recent years, the Federal Circuit has expanded the doctrine even further to encompass instances where the presumptive intent to deceive did not result from an act or omission that necessarily undermined the integrity of the PTO's examination of the patent application. It has held that such acts as paying lower fees by improperly claiming small entity status, providing inaccurate declarations in support of patentability, failing to disclose payments made to a declarant, and improperly filing a petition to expedite examination constituted inequitable conduct.

Wavering Guidelines

Perhaps mindful of the outspoken critics, in August the Federal Circuit in *Star Scientific Inc. v. R.J. Reynolds Tobacco Co.*, attempted to reign in the expansion of the inequitable conduct doctrine. In *Star Scientific*, the district court presumed that counsel had the requisite intent to deceive by not

disclosing prior art that they should have known to be material. The Federal Circuit rejected this presumption, stating that "materiality does not presume intent." Because the district court did not point to any predicate acts that could support an inference of intent to deceive, the Federal Circuit reversed the finding of inequitable conduct, stating that "no inference can be drawn if there is no evidence, direct or indirect, that can support the inference."

While purporting to uphold earlier precedent that "intent can be inferred from indirect and circumstantial evidence," the Federal Circuit gutted that approach by stating that inferences drawn from less than clear and convincing evidence "cannot satisfy the deceptive intent requirement." Significantly, the Federal Circuit articulated its highest evidentiary standard for inferring intent by ruling that "the inference must not only be

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based on sufficient evidence and be reasonable in light of that evidence, but it must also be the single most reasonable inference able to be drawn from the evidence to meet the clear and convincing standard."

Critics calling for reform hailed the *Star Scientific* decision as finally halting the expansion of the inequitable conduct doctrine. While the Federal Circuit appeared to be circling the inequitable conduct wagon to defend its essential purpose, their guns were apparently pointed inward.

Only a month after the *Star Scientific* decision, a different Federal Circuit panel reversed course in *Praxair Inc. v. ATMI Inc.* In *Praxair*, the district court struck down the patent for inequitable conduct because, as in *Star Scientific*, the attorneys failed to disclose prior art to the PTO. The panel majority upheld the district court's presumption of deceptive intent, stating that the attorneys were at least aware of the "obvious materiality" of the nondisclosed art in light of the statements made to the PTO during examination.

The panel majority did not conclude, as *Star Scientific* appeared to require, that deceptive intent was the single most reasonable inference able to be drawn from the evidence.

Judge Alan D. Lourie dissented in *Praxair* and stated that "an inference of intent to deceive requires more than knowledge of the existence of the nondisclosed art; it also requires a finding that the applicant knew, or should have known, of the materiality of that art. The court made no mention of either attorney's knowledge of the materiality of the [prior] art, and no evidence of record demonstrates that they knew of the materiality of the [prior] art."

In other words, according to Judge Lourie, the presumption of the attorney's knowledge of the materiality of the nondisclosed prior art was not clear and convincing evidence sufficient to justify an inference of deceptive intent.

Moving Forward?

Unable to reconcile the standards applied in *Star Scientific* and *Praxair*, critics will no doubt point to these divergent opinions between members of the Federal Circuit in calling for reform of the inequitable conduct doctrine. Perhaps the critics are right and it is time for the Federal Circuit to reign in its own wavering guidelines and reconsider the inequitable conduct doctrine *en banc*. Perhaps Congress will legislate standards for the inequitable conduct doctrine in the upcoming patent reform proposals. In the meantime, the inequitable conduct doctrine will certainly be an area worth watching for both patent holders and potential infringers. ■