

# The inequitable conduct defense: What is relevant?

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The U.S. Court of Appeals for the Federal Circuit lamented 30 years ago that “the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.” *Burlington Indus. Inc. v. Dayco Corp.*, 849 F.2d 1418 (Fed. Cir. 1988).

“Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds,” the court noted.

Indeed, the incentive for alleged infringers to assert the defense of inequitable conduct in patent cases is significant.

Everyone involved in the filing or prosecution of a patent application has a duty of good faith and candor in dealing with the U.S. Patent and Trademark Office, and must disclose any information known to be material to patentability.

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If a defendant in a patent infringement lawsuit proves that the patent was procured through a violation of this duty — in other words, if the defendant proves inequitable conduct — a court will deem the entire patent unenforceable.

This is why the Federal Circuit has called the inequitable conduct defense “the ‘atomic bomb’ of patent law.” *Therasense Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011).<sup>1</sup>

If the defense succeeds, the accused infringer wins the lawsuit with a single blow and destroys the patentee’s ability to enforce the patent against any other party. This is quite enough to ensure that the plague will not subside.

Since the inequitable conduct defense is sure to remain a fixture of patent litigation, one pertinent question is what kinds of facts, if misstated or omitted, are relevant to the defense.

## FAILURE TO DISCLOSE

Typically, the inequitable conduct defense is based on an alleged failure to disclose material prior art or, in some cases, an alleged falsification of test results or other evidence of reduction to practice.<sup>2</sup>

But in a recent lawsuit in which we represented the patent owner, the accused infringer claimed that the patentee engaged in inequitable conduct either by failing to disclose a joint inventor in the initial application or by later falsely stating that a person was a joint inventor.

The argument that a patentee engaged in inequitable conduct by way of statements or omissions about the identity of joint inventors is rare — and should remain so.

Only in egregious and obvious cases should the defense of inequitable conduct succeed when it relates to the disclosure of inventors.

Inequitable conduct is difficult to prove under any circumstances.

The Federal Circuit has explained that the defense “is only applied where the patentee has unfairly obtained an unwarranted patent through misconduct.” *Ohio Willow Wood Co. v. Alps S. LLC*, 735 F.3d 1333 (Fed. Cir. 2013).

To prove inequitable conduct, a defendant must establish “by clear and convincing evidence that the patent applicant (1) misrepresented or omitted information material to patentability, and (2) did so with specific intent to mislead or deceive the PTO.” *In re Rosuvastatin Calcium Patent Litig.*, 703 F.3d 511 (Fed. Cir. 2012).

To be material to patentability, there must have been some possibility that the information would have affected the examiner’s decision on whether or not to allow the patent claims, otherwise known as “but-for materiality.” *U.S. Water Services Inc. v. Novozymes A/S*, 843 F.3d 1345 (Fed. Cir. 2012).

Although intent to deceive can be inferred from indirect and circumstantial evidence, it will not be found to exist unless it is the “single most reasonable inference” under the circumstances.<sup>3</sup>

Successfully asserting a defense of inequitable conduct against a patentee who allegedly incorrectly named or failed to disclose an inventor is particularly challenging in light of the law of inventorship and joint inventorship.

As a starting point, to be deceptive, a patent applicant or patentee would have to know who the true inventors were and would have to intentionally misstate this fact.

But knowing who is and who is not entitled to be named a joint inventor often is very difficult.

Section 101 of the Patent Act, 35 U.S.C.A. § 101, provides that whoever “invents or discovers” patentable subject matter may obtain a patent.

Section 116 of the act, 35 U.S.C.A. § 116, governs the situation in which two or more people jointly invent. In that case, the joint inventors may apply for a patent together.

Section 116 also specifies what is not required for two or more people to be joint inventors: they do not have to work simultaneously or physically together; they do not have to contribute equally to the invention; and they do not each have to make a contribution to the subject matter of every claim of the patent.

But that is as far as Section 116 goes.

The Federal Circuit said in *Fina Oil & Chemical Co. v. Ewen*, 123 F.3d 1466 (1997), that Section 116 sets “no explicit lower limit on the quantum or quality of inventive contribution required for a person to qualify as a joint inventor.”

Thus, “a joint invention is simply the product of a collaboration between two or more persons working together to solve the problem addressed. ... The determination of whether a person is a joint inventor is fact specific, and no bright-line standard will suffice in every case.”

The Federal Circuit has attempted to provide guidance on this fact-specific issue, although whether that guidance is sufficient is debatable.

For example, the court held in *Fina Oil* that “a person is not precluded from being a joint inventor simply because his or her contribution to a collaborative effort is experimental.”

On the other hand, the Federal Circuit held in *Burroughs Wellcome Co. v. Barr Labs Inc.*, 40 F.3d 1223 (1994), that “each inventor must contribute to the joint arrival at a definite and permanent idea of the invention as it will be used in practice.”

And not every contribution will suffice. Instead, “to be a joint inventor, an individual must make a contribution to the conception of the claimed invention that is not insignificant in quality, when that contribution is measured against the dimension of the full invention,” the Federal Circuit added in *Fina Oil*.

This last requirement raises further questions, because “conception” is itself a difficult concept to apply.

The Federal Circuit has held that “conception exists when a definite and permanent idea of an operative invention, including every feature of the subject matter sought to be patented, is known.” *Sewall v. Walters*, 21 F.3d 411 (Fed. Cir. 1994).

It also said in *Burroughs Wellcome Co.* that “an idea is definite and permanent when the inventor has a specific, settled

idea, a particular solution to the problem at hand, not just a general goal or research plan he hopes to pursue.”

### HEAVY BURDEN

Given the state of the law, it is easy to see how an applicant – and even patent counsel – may have trouble determining whether someone other than the named inventor would qualify as a joint inventor.

And accurately retracing the steps of the inventor and alleged co-inventors years later in a lawsuit can be even more difficult.

For these reasons, the “burden of showing misjoinder or nonjoinder of inventors is a heavy one and must be proved by clear and convincing evidence.”<sup>4</sup>

Against this backdrop, most claims of inequitable conduct based on disputes over inventorship should and do fail.

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One of the most significant decisions on this subject is *Pro-Mold & Tool Co. v. Great Lakes Plastics Inc.*, 75 F.3d 1368 (Fed. Cir. 1996).

Pro-Mold sued Great Lakes for infringing its patent for a sports trading card holder. Great Lakes argued that the inventor committed inequitable conduct when he failed to disclose his son to the PTO as a joint inventor.

The inventor’s son was a sports trading card collector.

He testified that he “planted the seed” of the card holder idea to his father and that he was “involved” in a conversation in which “the final form of the invention took place.”

But the Federal Circuit noted that even if this were enough of a contribution to make the son a joint inventor, there was no evidence that the father intentionally deceived the PTO.

As the court observed, an “error in determining inventorship is not by itself inequitable conduct.”

In *Dealertrack Inc. v. Huber*, No. 06-cv-2335, 2008 WL 11337833 (C.D. Cal. July 21, 2008), which also involved alleged inequitable conduct, several purported joint inventors changed their position on whether they were inventors.

The court pointed to the difficulty that patentees encounter when they attempt to identify joint inventors.

The court found that “the most likely inference from the evidence is that the Patentees misunderstood the exact

requirements of the legal term of art ‘inventor.’ And, whatever the inference, the evidence that Patentees intended to deceive the examiner is certainly not clear and convincing.”

*Dexcowin Global Inc. v. Aribex Inc.*, No. 16-cv-143, 2017 WL 3477748 (C.D. Cal. June 7, 2017), involved the inventor of an X-ray imaging device.<sup>5</sup>

At the time of the invention, the patentee’s son suggested that his father put a screen on the device.

The father did not name his son as an inventor during the prosecution of the patent, but his assignee later did so during a re-examination proceeding.

The accused infringer argued that in either naming or not naming the son as a joint inventor, the patentee or his assignee engaged in inequitable conduct.

The district court rejected this argument and granted summary judgment to the patentee on the inequitable conduct defense.

As in *Pro-Mold* and *Dealertrack*, the court found that it was reasonable to believe that, even if the inventor was wrong in not joining his son as an inventor, the omission could have been a simple mistake.

As to the corporate assignee, which later did name the son as an inventor, the court again found that it was reasonable to conclude that the corporation was unsure about who the inventors were.

### TRULY EGREGIOUS CONDUCT

A finding of inequitable conduct based on misstatement of inventorship should be made only in cases involving truly egregious conduct, which are rare.

In *Caron v. QuickKutz Inc.*, No. 09-cv-2600, 2012 WL 5497869 (D. Ariz. Nov. 13, 2012), the court found by clear and convincing evidence that the plaintiff intentionally misrepresented during prosecution that another individual was a joint inventor.

The plaintiff did not believe that this person “invented anything,” but named him as a joint inventor in order “to obtain his financial support.”

Outside of rare situations such as that in *Caron*, in which inventorship was deliberately falsified for an improper purpose, the defense of inequitable conduct should fail when the question is whether a person was or was not a joint inventor.

### NOTES

<sup>1</sup> Citing *Aventis Pharma v. Amphastar Pharm. Inc.*, 525 F.3d 1334 (Fed. Cir. 2008).

<sup>2</sup> See *Elk Corp. of Dallas v. GAF Bldg. Materials Corp.*, 168 F.3d 28 (Fed. Cir. 1999); *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556 (Fed. Cir. 1983); *Intellect Wireless Inc. v. HTC Corp.*, 732 F.3d 1339 (Fed. Cir. 2013).

<sup>3</sup> *Therasense Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011).

<sup>4</sup> *Garret Corp. v. United States*, 422 F.2d 874 (Ct. Cl. 1970); *Hess v. Advanced Cardiovascular System Inc.*, 106 F.3d 976 (Fed. Cir. 1997) (the clear and convincing evidence standard applies both to applications and issued patents); *Fina Oil & Chem. Co. v. Ewen*, 123 F.3d 1466 (Fed. Cir. 1997) (“There is a presumption that the inventors named on an issued patent are correct, so misjoinder of inventors must be proven by clear and convincing evidence.”).

<sup>5</sup> Dechert attorneys, including the authors, represented the patentee in this case.

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