THERASENSE ON PATENT INEQUITABLE CONDUCT - THE DECISION OF THE FEDERAL CIRCUIT "FIXES" INEQUITABLE CONDUCT LAW

BY: CHARLES W. SHIFLEY

On May 25, 2011, the Federal Circuit issued the much-awaited *en banc* (full court) decision about patent inequitable conduct in *Therasense, Inc. v. Becton, Dickinson & Co*. According to a dissent, the Court "comes close to abolishing [the doctrine of inequitable conduct] altogether." Slip op. dissent at 5.

In a surprise decision, the Court majority narrowed the materiality test for inequitable conduct to "but-for materiality" -- as a general matter. Explaining the application of the new rule to the important situation of undisclosed prior art, the Court stated, "When an applicant fails to disclose prior art to the PTO, that prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art." Slip op. at 27. Patent applicants thus have a different assurance in this standard than in the past as they go about considering whether to disclose what they judge to be marginal prior art.

The Court also narrowed the intent test, as well, to a tight recitation of the *Kingsdown, Star Scientific* and *Scanner Techs*. standards. Slip op. at 25. "[T]o meet the clear and convincing evidence standard, the specific intent to deceive must be the 'single most reasonable inference above to be drawn from the evidence." Id. Adding emphasis, the Court stated, "the evidence 'must be sufficient to require a finding of deceitful intent in the light of all the circumstances.'" Id. "Hence," it said, "when there are multiple reasonable inferences that may be drawn, intent to deceive cannot be found. " Slip op. at 26.

Moreover, the Court stated there is not to be a "sliding scale" balancing materiality and intent, and that intent may not be inferred solely from materiality. Slip op. at 25.

Thus, the Court's six judge majority opinion (written by Chief Judge Rader, for himself and Judges Newman, Lourie, Linn, Moore and Reyna (appointed in 2011)) represents the Court's abandonment of the "reasonable examiner" standard of materiality, the gross negligence standard of intent, and the balancing of materiality and intent. It also represents the Court's rejection of current "Rule 56" (37 CFR 1.56). On Rule 56, the Court found that even its standards of materiality were too broad.

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Somewhat unusually, however, the majority opinion stated that "but for" materiality and the rest of its test for inequitable conduct were subject to an exception – one for a patentee who "has engaged in affirmative acts of egregious conduct." Slip op. at 29. Little else was said about the exception, leaving it largely unbounded in its structure and standards.

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The opinion had a four-judge dissent (written by Judge Bryson, joined by Judges Gajarsa, Dyk and Prost), but it dissented as to materiality alone. It would have retained the PTO standards of Rule 56.

In an interesting third opinion in this important *en banc* case, Judge O'Malley (recently arrived from being a district court judge), joined the majority as to intent, but dissented from the majority -- and dissented from the dissent – as to materiality. Judge O'Malley said both the majority and dissent "eschew[ed] flexibility in favor of rigidity." Slip. op. concurrence at 4.

Of course, this opinion may not be the final word, as the Supreme Court has not spoken to patent inequitable conduct since the 1940s. ■

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The case, *Furnace Brook LLC v. Aeropostale, Inc. et al.*, 09-cv-04310 (N.D. IL) and 2011-1025 (Fed. Cir.), was based on allegations that the defendants, through the operation of their respective on-line ordering web sites, were infringing U.S. Patent No. 5,721,832, entitled "Method and Apparatus for an Interactive Computerized Catalog System."

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Banner & Witcoff is pleased to announce that firm client Lexmark prevailed in one of the largest investigations ever initiated in the United States International Trade Commission (ITC). The Initial Determination (ID) issued by the Administrative Law Judge (ALJ) in the case found violations of Section 337 and recommended entry of a General Exclusion Order as well as Cease and Desist Orders against both foreign and domestic respondents. On July 12, 2011, having examined the record of this investigation, including the ALJ's ID in favor of Lexmark, the Commission announced it would not review the ID finding a violation of Section 337. The decision to not review the ID makes the Summary Determination final.

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NEW BOOKS AUTHORED BY BANNER & WITCOFF ATTORNEYS

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Authored by Banner & Witcoff shareholder Robert H. Resis and published by the ABA in August of 2011, Preliminary Relief in Patent Infringement Disputes addresses the issues that are most important in seeking preliminary injunctive relief in a patent case and provides a pertinent review of how such injunction requests have been treated by the Federal Circuit and district courts since the important *eBay* decision.

The American Bar Association's Legal Guide to Video Game Production

Authored by Banner & Witcoff shareholder Ross A. Dannenberg and published by the ABA in August of 2011, The American Bar Association's Legal Guide to Video Game Production is the authoritative handbook on producing a video game. Included in each chapter are the relevant forms, agreements, and contracts for that phase of production, as well as tons of helpful tips on negotiation and decoding legalese.

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