

Patent Prosecution Gets More Complicated— and Expensive

The Supreme Court and other courts and commentators have stated that a patent application is the most difficult legal document to draft.¹ It appears that with a few recent decisions, the Court of Appeals for the Federal Circuit has drastically expanded the difficult nature of patenting beyond the mere drafting stage. As a result of the rulings handed down in *McKesson Information Solutions Inc. v. Bridge Medical Inc.*, 487 F.3d 897 (2007), and *Larson Manufacturing Co. v. Aluminart Products Ltd.*, 559 F.3d 1317 (2009), patent practitioners now must be vigilant in disclosing information to the U.S. Patent and Trademark Office that was rarely a consideration in the past. An affirmative defense of inequitable conduct (as well as the apparent malpractice claim) awaits the unsuspecting patent owner without increased background searching and subsequent disclosure of not only noncumulative prior art references, but also any and all prosecution history issues pertaining to co-pending applications



that make similar claims, regardless of the identity of the patent examiner. As a result, patent owners are faced with the possibility of higher overall prosecution costs as information disclosure statements will be filed in greater number and at different stages of a patent application's pendency.

It is important to note that, as alluded to above,² drafting, filing, and prosecuting a patent application requires expertise in the field.

Aside from the need to understand the technological issues involved and write a complete description (and other substantive written requirements) as well as the need to understand effective and proper claims to complex inventions, a patent practitioner must handle a number of constantly changing legal requirements with regard to patentability. (The Supreme Court, for instance, recently rewrote the standards for obviousness, which apparently applies to all issued patents, no matter when they were initially filed³.) In addition, the practitioner must adhere to rigid time lines set for responses and submissions and often labyrinthine procedural necessities

and limitations. And the practitioner must accomplish all this while practicing before a government agency that exhibits a large turnover in its patent examining corps year after year.

Even with all these complications, as time has passed, the importance of patents in the worldwide marketplace has increased significantly. The exclusivity a patent provides through governmental grant (a legal monopoly, as it is) can provide a huge competitive business advantage to a patent owner, and such a valuable property right can make or break a company (and may even accord the clichéd feel-good rags-to-riches story for a small inventor). Thus, effective patent strategy and implementation programs are arguably no longer the exception but the rule for businesses worldwide. Patent owners must now realize, however, that obtaining a patent is not the end of the process; patent owners must do their best to ensure (and thus pay for) a patent that will withstand validity and enforceability challenges as well.

The requirement to disclose material information regarding the patentability of pending patent claims within a patent application is not new. The rule within 37 CFR §1.56 sets forth the standard that must be followed for every pending patent application (or, to paraphrase, any person with an interest in a pending patent application has an obligation to disclose to the Patent Office any information that is material to the determination of patentability of the claims of the application). Any deviation from such a requirement has led to possible findings of inequitable conduct during a patent infringement litigation setting (ostensibly committing fraud on the Patent Office).

The elements of such a claim (which the standards of Rule 1.56 basically require) are the following: (1) materiality of any omitted information as it applies to the patentability of the claims at issue, and (2) an intent to keep such information from the Patent Office. If such elements are met, the court could decide that a patent—even if considered otherwise valid and infringed—is unenforceable and thus worthless to the patent owner. It is important to note that materiality may not reside if a piece of information is deemed cumulative of information already disclosed to and considered by the Patent Office. In the past, courts have consistently decided that materiality did not lead directly to a finding of intent to withhold the information; they were two separate elements. On the contrary, the fact that the draconian possibility of an



unenforceable determination could result led to the necessity for meeting a higher level of proof (clear and convincing evidence) for both elements.⁴ Furthermore, in recent years, it appeared that a move away from successful inequitable conduct claims in patent infringement suits was the norm. The *McKesson* and *Larson* findings have apparently dispelled such rumors, however, and certainly bring into question the separation of materiality and intent in the inequitable conduct context.

To put it as simply as possible, the *McKesson* decision involved a claim of inequitable conduct based on a number of items allegedly withheld from the patent examiner by the prosecuting attorney; the items included a prior art patent and the existence of rejections in a co-pending application that had similar claims and had been examined by a different examiner. The court initially determined that the prior art was noncumulative of information that the patent examiner had already considered; of great import to this finding was the fact that such a reference was cited during prosecution of the co-pending application and the attorney had amended the co-pending patent claims as a direct result of the teachings of such a reference. That issue was a clear violation of the spirit of the duty to disclose that is embodied within Rule 1.56. In addition, the court's decision that the prosecuting attorney's failure to disclose the rejection upon which the omitted prior art was based—a violation in view of a previous U.S. Court of Appeals for Federal Claims decision⁵—was not a surprise. However, the court went even further and stated that the common practice of citing the existence of a co-pending similar application was insufficient as a disclosure meeting the requirement of Rule 1.56; to the contrary, in every instance, if the rejection bases set forth by the different examiner were pertinent to the patentability of the claims in the underlying application, then the prosecuting attorney would be obliged not only to disclose the existence of the co-pending application itself (which, in the past, created the requirement of the examiner to actually pull and examine the co-pending application file) and the existence of the actions taken by the office for the co-pending application, but also to disclose and provide copies of the office's actual actions found in the file of the co-pending application. In that sense, the court deemed that substantial similarity between pending and claimed subject matter was sufficient to prove materiality existed; it apparently naturally followed that once materiality existed in that respect, the lack of disclosure by the prosecuting attorney of the rejections by the other examiner set forth intent to withhold, contrary to the standards traditionally followed for an inequitable conduct determination. Thus, regardless of the standard that had been followed in prior years, the courts opened up a Pandora's box of inequitable conduct claims because of the omission of reports of office actions for different applications. With many patent applicants (and companies, in general) filing

multiple applications with claims that overlap or, at least, appear similar to, other application claims, the bar was set very high in terms of disclosing such co-pending patent application actions. Although I know of no definitive measure pertaining to this specific issue, a simple review of recently issued patents shows, in my view, a noticeable uptick in cited co-pending application actions taken by the office as a direct result of this decision.

Just two years after the *McKesson* decision, the same court refined this issue. The *Larson* decision pertained to a re-examination application filed by the underlying patent owner in order to have further information considered by the patent examiner. The initial patent included an excess of 120 references cited by the applicant for review by the examiner; the re-examination application included twice as many new cited references as well as two office actions (rejections) taken from a co-pending application with similar claims (subsequently filed after the filing date of the previously issued patent on which the re-examination application was based). The infringement defendant charged the patent owner with inequitable conduct because of the omission of three prior patents from the re-examination application's disclosure statement as well as the two latest rejections from the co-pending similar application. Curiously, the court did not find any inequitable conduct related to the omission of the three prior patents (with more than 250 references already cited by the applicant and reviewed by the examiner, apparently all the information from within the omitted references was considered cumulative in effect). However, the court did determine that the omitted office actions—even though they were both based upon the teachings of the omitted references considered cumulative previously—were material to a patentability decision in the re-examination application. Thus, although the underlying cited prior art references were immaterial in terms of patentability, the office actions themselves—including positions and interpretations of the same cumulative prior art in view of the re-examination application claims—were deemed material in nature. Furthermore, the alleged infringer sought a finding of inequitable conduct based on the omission of a Notice of Allowability issued within a second similar application and handled by the same examiner who was reviewing the re-examination application. The court found in the alleged infringer's favor, using the rationale that, because an examiner has so many other applications to track, the ability to remember each claim set from every application should not be the examiner's burden.

As required by Rule 1.56, it is the patent applicant's obligation to apprise the patent examiner of all material information pertaining to a claim's patentability. In view of the *Larson* decision, at least, that requirement now clearly includes any and all information that the

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examiner may already have in his or her possession.

Thus, it appears that the demands on patent attorneys have become that much stricter. In an effort to apprise patent examiners of the existence of co-pending similar applications, the failure to include actual copies of all office actions taken for such co-pending prosecution histories leaves open a truly undesirable door for the scrutiny of an alleged infringement defendant. The thought that a drastic determination of unenforceability may reside when everything else about a patent application may have been properly handled will undoubtedly lead to more re-examination applications being filed to correct any material omissions of the co-pending office action type as well as more time and resources needed to investigate all similar applications for this type of issue. It should be evident, then, that introduction of a different inequitable conduct door brings with it the distinct possibility not only that the already complicated world of patent prosecution will become that much more difficult but also that the costs to implement such a necessary review and submission program will increase as well. **TFL**

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employer does not discriminate when applying such a policy to prohibit only union-related solicitations, the NLRA has not been violated. However, if this question is presented to the board in the future, the possibility exists that a different decision would be reached, based on the fact that “e-mail has revolutionized communication both within and outside the workplace” and cannot be treated merely as the law treats bulletin board.

The cases discussed in this column are just a handful of the more noteworthy decisions the NLRB has reached that could be subject to review and potential reversal over the next few years if these issues are presented to the board for decision. There is no guarantee that any such reversal will happen or even that any of these issues will again make their way before the NLRB. However, given the new composition of the board and the ever-evolving nature of labor law, practitioners should be alert for potential legal shifts in these areas and in many more; otherwise, legal practitioners risk being left behind as the law continues its inexorable march forward. **TFL**

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Endnotes

¹*Sperry v. Florida*, 373 U.S. 379 (1963); *Topliff v. Topliff*, 145 U.S. 156 (1892); *Laitram Corp. v. Cambridge Wire Cloth Co.*, 863 F.2d 855 (Fed. Cir. 1988).

²*Sperry and Topliff*, *supra*, note 1.

³*KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727 (2007).

⁴*Star Scientific Inc. v. R. J. Reynolds*, 537 F.3d 1357 (Fed. Cir. 2008).

⁵*Dayco Products Inc. v. Total Containment Inc.*, 329 F.3d 1358, (Fed. Cir. 2003).

Endnotes

¹See, e.g., John W. Polley, *EFCA: How President-Elect Obama Might Change Labor Management Relations*, Nov. 11, 2008, at www.faegre.com/showarticle.aspx?Show=8632.

²*Id.*

³Holly Rosenkrantz, *Labor May Gain, Business Sends 'Red Alert' on Becker*, March 29, 2010, at www.businesweek.com/news/2010-03-29/labor-agenda-may-advance-business-sees-red-alert-on-becker.html.

⁴Amy B. Dean, *Obama's NLRB Recess Appointments: A Flexible Economy Needs a Nimble Labor Board*, March 29, 2010, at www.huffingtonpost.com/amy-b-dean/obamas-nlr-recess-appointments_b_517196.html; Stephanie Condon, *Craig Becker Appointment Stirs Debate Over Economy, Politics*, March 29, 2010, at www.cbsnews.com/8301-503544_162-20001381-503544.html.

⁵Robert J. Chovanec, *Recess Appointments to NLRB, EEOC*, March 29, 2010, at www.wnj.com/recess-appointments-to-nlr-recess-3-29-10-labor-law/.

⁶*Id.*

⁷Dean, *Obama's NLRB Recess Appointments*, *supra*, note 4.

⁸Harold P. Coxson and Christopher R. Coxson, *The National Labor Relations Board in the Obama Administration: What Changes to Expect* at 14 (Sept. 2009), available at www.standagainstthechamber.org/publications/reports/0909nlrbreport.htm.

⁹*Dana Corp.*, 351 NLRB 434 (2007).

¹⁰*Palms Hotel & Casino*, 344 NLRB 351 (2005).

¹¹*Shaw's Supermarkets*, 350 NLRB 585 (2007).

¹²*The Register Guard*, 351 NLRB 1110 (2007).