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IP Client Alert

Federal Circuit Attempts to Eradicate the Plague of Inequitable Conduct, Sets New Standards

The Federal Circuit issued its much anticipated en banc decision in *Therasense, Inc. v. Becton, Dickinson & Co.* on May 25, 2011 regarding inequitable conduct by patent applicants and attorneys during prosecution of patents. The Federal Circuit established a new standard for materiality and clarified its contradictory precedent on intent to deceive—the two factual predicates that must be established to prove inequitable conduct. The Court thus recognized the problems created by the overuse of inequitable conduct claims by litigants and the differing standards applied by federal courts in evaluating issues of materiality and intent to deceive.

Inequitable conduct is an affirmative defense to a claim of patent infringement. At its most fundamental level, the battle cry of inequitable conduct is an assertion that the patent applicant or lawyer acted fraudulently before the United States Patent and Trademark Office. Therefore, notwithstanding any finding of infringement, the patent should be rendered unenforceable.

Because of the frequency with which it is plead, the potential devastating effects it has on the rights of the patent owner, the potential harm it may cause to the reputation of patent lawyers associated with the prosecution of the patent and the harm it has caused the examination process before the Patent and Trademark Office, the Federal Circuit has described inequitable conduct as both an "atomic bomb" and a "plague" on the patent system.

Court Creates "But-For" Test for Materiality

The Court laid out a new test for materiality that significantly raises the bar. With one exception, the Federal Circuit explained that information is material only when a claim would not have been allowed by the Patent and Trademark Office had the office been aware of the information. The one exception to this "but-for" test is in cases of affirmative egregious misconduct. For example, where the patent applicant "deliberately planned and carefully executed scheme[s]" to defraud the Patent and Trademark Office or courts, such information and misconduct is always material.

Court Adopts "Single Most Reasonable Inference" Test for Intent

Addressing the "intent" prong, the Federal Circuit clarified that a party must show, by clear and convincing evidence, that the patentee *made a deliberate decision* to withhold a *known* material reference. The Court was careful to note that the intent prong is independent of the materiality prong and that the sliding scale approach where a party could demonstrate a lower level of intent if the information was highly material is no longer acceptable. Instead, to meet the test, the evidence must be sufficient to require a finding of deceitful intent in light of all the circumstances. The specific intent to deceive must be the single most reasonable inference able to be drawn from the evidence. Finally, the Court noted that a patentee need not offer any good faith explanation to counter a finding of intent until the accused infringer first proves a threshold level of intent to deceive by such clear and convincing evidence.

Overall, the Federal Circuit adopted a more stringent standard for proving inequitable conduct that is likely to reduce the high number of meritless

inequitable conduct claims in litigation. Notwithstanding the high hurdles introduced by way of this landmark opinion, patent applicants still need to take care in managing the disclosure of information during prosecution and be ever mindful of material information including disclosures and arguments made in related foreign applications.

If you have any questions regarding this case, or have any other matters, please contact **John E. Munro** at 312-609-7788 or **William J. Voller III** at 312-609-7841 or another Intellectual Property attorney with whom you've worked.

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We welcome your input for future articles. Please call any member of the Intellectual Property Group with suggested topics, as well as other questions or comments concerning materials in this Alert.

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