

INTELLECTUAL PROPERTY LITIGATION

BY LEWIS R. CLAYTON

Disclosing Material Information and 'Inequitable Conduct'

Even a valid patent—one that claims a novel, nonobvious invention—may be declared unenforceable under the doctrine of inequitable conduct if the patent applicant has not fulfilled his obligation to disclose to the U.S. Patent and Trademark Office (PTO) information “material” to patentability.

Inequitable Conduct Doctrine

The purpose of the inequitable conduct doctrine is to police the patent application process, in which the patent examiner must be able to depend upon the applicant's candor.

Given that purpose, some proponents of “reform” of the patent system argue that inequitable conduct issues should be taken from the courts and decided, instead, at the Patent Office. Proponents of that position may draw some support from *Purdue Pharma L.P. v. Endo Pharmaceuticals Inc.*, 2006 WL 231480 (Fed. Cir. Feb. 1, 2006), where a U.S. Court of Appeals for the Federal Circuit panel reversed its prior ruling, illustrating the difficulties courts sometimes face in resolving inequitable conduct issues.

Under one popular definition, contained in PTO Rule 56, information is “material” to a patent application when (among other things) it “refutes, or is inconsistent with” a position an applicant has taken “asserting an argument of patentability.” In considering a claim of inequitable conduct, the court must find there is clear and convincing evidence that material information was withheld with intent to deceive the PTO, and then weigh the evidence to determine whether the equities warrant a finding of unenforceability.

Purdue concerned three patents covering controlled-release pain medication, marketed as OxyContin. The specifications of the patents asserted that the controlled-release formulation, which used a fourfold range of



dosages (10 to 40 mg over 12 hours), achieved results comparable to prior-art drugs, which used a broader eightfold range (up to 80 mg). The specifications asserted that “[i]t has now been *surprisingly discovered*” (emphasis added) that the claimed formulations controlled pain over the narrower fourfold range, a “result” that has “clinical significance.”

Purdue never explicitly stated that the “surprising discovery” was based on clinical tests. In fact, *Purdue* conceded at trial that it was based on the inventor's “insight”—using his knowledge of the claimed compound, the inventor “envisioned” a drug that would be effective in a fourfold range. After an 11-day bench trial, the district court found that the prosecution history showed “a clear pattern of intentional misrepresentation” and held the patent unenforceable because *Purdue* had failed to disclose the invention was based on “insight” without “scientific proof.”

On June 7, 2005, a Federal Circuit panel affirmed, according deference to the trial court's findings, and concluding that the withheld information was material because the “surprising discovery” was disclosed to support a “central” argument concerning patentability, and because it was “inconsistent” with statements “suggesting” that *Purdue* had clinical data.

On Feb. 1, 2006, however, spurred by a rehearing petition to “further examine[] the issues in the case,” the panel changed its mind. As it had initially, the panel sustained, under deferential review, the trial court's finding that *Purdue*'s “surprising discovery” statements were material—“while *Purdue* never expressly stated that the discovery of the fourfold

dosage range was based on the results of clinical studies, that conclusion was clearly to be inferred from the language...in both the patents and prosecution history.”

But the panel now found two errors in the district court's consideration of *Purdue*'s intent to deceive the PTO. First, the trial court relied heavily on evidence that *Purdue* had failed to satisfy Food and Drug Administration labeling requirements for the claimed compound. The panel found that failure to meet these standards was not relevant to *Purdue*'s good faith when it communicated with the PTO. Second, while the trial court had “perceived” that the materiality of *Purdue*'s “surprising discovery” statements was “high,” the panel decided the level of materiality was “relatively low.” In determining intent, a trial court is required to consider the level of materiality—the less material the misrepresentation, the more persuasive evidence of intent is required.

However, the panel shrunk from resolving the inequitable conduct issues itself, instead remanding so that the trial court could “rethink” some of the evidence and “reweigh its materiality and intent findings to determine whether the sanction of unenforceability due to inequitable conduct is warranted.”

On Feb. 8, 2006, a Federal Circuit panel, in another case, also vacated and remanded a judgment finding inequitable conduct. *Digital Control Inc. v. Charles Mach. Works*, 2006 WL 288075 (Fed. Cir. Feb. 8, 2006). The *Digital Control* panel found that the lower court had improperly determined on summary judgment that the applicant's failure to cite certain prior art was material, and remanded the case, as the *Purdue* panel had done, for a new assessment.

Broad View of Standard

Significantly, the *Digital Control* court adopted a broad view of the standard for determining materiality of a representation to the PTO. The court surveyed the history of materiality tests, including: the “objective but-for” standard, which requires that the patent should not have issued, but for the misrepresentation; the “subjective but-for” test, which asks whether the misrepresenta-

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tion actually caused the examiner to issue the patent; the “but it may have” standard, under which the statement may have influenced the examiner; and the PTO Rule 56 standard discussed in *Purdue*.

It concluded that all of these standards have validity, although “to the extent that one standard requires a higher showing of materiality than another standard, the requisite [strength of the evidence necessary for a] finding of intent may be lower.” One patent reform bill introduced in the House takes a contrary view, limiting the inequitable conduct doctrine to cases in which the PTO actually relied on a misrepresentation in issuing the patent.

Unless Congress enacts significant amendments to the Patent Act—which doesn’t appear very likely—the courts will continue to be faced with the difficult subjective judgments required by the inequitable conduct doctrine.

Trademarks

Attrezzzi, LLC v. Maytag Corp., 2006 WL 199858 (1st Cir. Jan. 27, 2006), ruled on an issue rarely addressed by trademark courts—whether a willful infringer will be permitted to sell off infringing goods in the marketplace. The Court of Appeals affirmed the trial court’s discretionary order allowing Maytag 12 months to sell off kitchen appliances bearing plaintiff’s service mark. While acknowledging lower court decisions that had refused sell-off periods requested by willful infringers, the Court of Appeals noted that Maytag was “paying a stiff price in wasted advertising expenses” and found that there was “no indication” that the harm to plaintiff’s mark would “increase appreciably” during the sell-off period.

Two courts recognized the “initial interest confusion” doctrine in trademark litigation challenging the use of plaintiff’s trademarks as metatags on Web sites. Traditional trademark infringement law requires a showing that consumers are confused about the source of goods they purchase. Initial interest confusion recognizes a trademark claim where consumers are initially confused, but that confusion is dispelled before an ultimate purchase or transaction. In *Australian Gold, Inc. v. Hatfield*, 2006 WL 305224 (10th Cir. Feb. 7, 2006), the U.S. Court of Appeals for the Tenth Circuit applied the doctrine to sustain a jury verdict based on use of plaintiff’s marks in metatags (terms included in Web site, usually invisible to visitors, but used by search engines to categorize sites) on the Web site of defendant, an unauthorized dealer in plaintiff’s products. The Court of Appeals rejected defendant’s argument that a disclaimer, disavowing any connection with plaintiff, was sufficient: a disclaimer “cannot prevent the damage of initial interest confusion, which will already have been done by the misdirection of consumers looking for the plaintiff’s Web

sites.” The doctrine was also recognized in a metatag case in *Tdata Inc. v. Aircraft Technical Publishers*, 2006 WL 181991 (S.D. Ohio Jan. 23, 2006), where the court found that initial interest confusion could be substituted for evidence of actual confusion, a factor in the traditional test for trademark infringement.

After a bench trial, a district court ruled that defendant’s Charbucks trademark—used to market a blend of roasted coffee, and admittedly adopted to “evoke associations” with the dark-roasted coffee marketed by Starbucks—did not infringe or dilute the famous Starbucks mark. *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 2005 WL 3527126 (SDNY Dec. 23, 2005). Defendant manufactures and sells roasted coffee beans, including a Mr. Charbucks blend, through the mail and the Internet, and at a small number of New England retail outlets. Relying on differences in the “imagery, color and format” of the parties’ marks, differences in retail channels and lack of evidence of actual confusion, the court dismissed the infringement claim, finding it unlikely that consumers would mistake defendant’s goods for a Starbucks’ product, or believe that defendant’s products were associated with Starbucks. Federal and New York dilution claims were also dismissed: while Starbucks presented a survey showing that 39.5 percent of respondents associated Charbucks with Starbucks or coffee, the court found no evidence that defendant’s use of the Charbucks mark diminished the ability of the Starbucks mark to act as a “unique identifier” of Starbucks products.

Copyright

Field v. Google Inc., 2006 WL 242465 (D. Nev. Jan. 19, 2006), emphatically rejected, on a host of grounds, a copyright challenge to Google’s practice of caching Web pages. As experienced users know, Google not only provides links to Web sites, but also copies Web pages to a temporary cache maintained on its own computers. The cache allows access to Web content when the original pages are unavailable, or have been changed. Plaintiff Field claimed that Google infringed his copyrights in literary material posted to his Web site when a Google user downloaded a copy of the material from Google’s cache. The court found first that copying from the cache is caused by an act of the user, and that Google is “passive” during the process. The court held, however, that direct infringement requires a “volitional” act by the defendant. Second, the court found that Mr. Field had granted Google an implied license, because Web page creators can include metatags instructing Google’s search robot not to cache the page. Mr. Field made a decision not to block caching. Third, Google’s activity was fair use, as the caching function is “transformative,” in that it allows easier access to Web pages, and had no effect on the potential market for

Mr. Field’s works. Finally, the court also found Google eligible for the safe harbor under §512(b) of the Digital Millennium Copyright Act, which bars monetary liability for temporary storage carried out through an “automatic technical process.”

Patents

The denial of rehearing en banc in *Lizardtech, Inc. v. Earth Resource Mapping, Inc.*, 433 F3d 1373 (Fed. Cir. 2006), exposed a simmering debate on an issue that has roiled the U.S. Court of Appeals for the Federal Circuit for years—the proper construction of the written description requirement in §112 of the Patent Act. That section provides that a patent specification must “contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art ... to make and use the same....” The panel decision in *Lizardtech*, 424 F3d 1336 (Fed. Cir. 2005), invalidated a claim concerning digital image compression that the court found, was unsupported by the specification. The panel construed the written description requirement to mandate that the specification “describe the invention sufficiently to convey to a person of skill in the art that the patentee had possession of the claimed invention at the time of the application.” Dissenting from denial of en banc rehearing, Judge Randall Ray Rader, joined by Judge Arthur J. Gajarsa, complained that the “court’s written description jurisprudence has become opaque to the point of obscuring other areas of this court’s law.” The dissent argued that the court has not established a clear standard for determining when a claim extends beyond the teaching of the specification. It also contended that the written description doctrine conflicts with the court’s claim construction jurisprudence: under *Phillips v. AWH Corp.*, 415 F3d 1303 (Fed. Cir. 2005) (en banc), the scope of a claim is not necessarily limited by the specification, but a claim that is broader than the specification may fall afoul of the written description requirement. Ten judges, however, voted to deny en banc consideration, three of them joining a concurrence defending the circuit’s case law as “quite consistent.” While the issue still arouses passion, fewer judges appear willing to hear it en banc: a similar en banc petition in 2004 was defeated narrowly, by a 7-5 vote. *Univ. of Rochester v. G.D. Searle & Co.*, 375 F3d 1303 (Fed. Cir. 2004) (en banc).

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