

Larson Mfg. Co. v. Aluminart Products Ltd.:
Did the Federal Circuit Break New Ground in Inequitable Conduct?

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Did the Federal Circuit break new ground in *Larson Manufacturing Co. vs. Aluminart Products Ltd.*, the latest inequitable conduct decision? Probably not but patent practitioners beware.

In *Larson*, Larson sued Aluminart alleging infringement. *Larson Manufacturing Co. vs. Aluminart Products Ltd.*, No. 2008-1096, slip op. at 1. (Fed. Cir. March 18, 2009). The district court held Larson's patent unenforceable after concluding that Larson engaged in inequitable conduct before the PTO during reexamination. *Id.* at 10. The district court found that during reexamination Larson had improperly withheld prior art and Office Actions from a simultaneously prosecuted continuation application. The art was considered material and not cumulative of art already before the PTO. *Id.* The district court also found that Larson's deceptive intent could be inferred from the circumstances. *Id.* Based on these facts, the district court held that Larson engaged in inequitable conduct.

On appeal, the Federal Circuit vacated the district court's holding of unenforceability and remanded the case to determine the issue of deceptive intent. *Id.* at 2-3.

The Law of Inequitable Conduct:

To prevail "the accused infringer must [prove by clear and convincing evidence] . . . 'that the applicant (1) made an affirmative misrepresentation of material fact, failed to disclose material information, or submitted false material information, and (2) intended to deceive the [PTO].'" *Id.* at 12 (citing *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008); quoting *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1363 (Fed. Cir. 2007)). Regarding materiality, "information is material when a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." *Id.* (citing *Star Scientific*, 537 F.3d at 1367; quoting *Symantec Corp. v. Computer Assocs. Int'l, Inc.*, 522 F.3d 1279, 1297 (Fed. Cir. 2008)). Proof that the reference withheld from the PTO is material is not enough. *See id.* Rather, the accused infringer must show that the patentee intended to deceive the PTO. *See id.* Intent may be inferred. *See id.* at 12-13.

Determining Whether Prior Art is Cumulative:

During reexamination, Larson failed to disclose the following three references from the Reexamination Panel: "(1) product and marketing materials for screen configurations produced by a company named Genius (the "Genius Literature"); (2) the DE '478 patent; and (3) product and marketing materials for screen configurations produced by a company named Preferred Engineering (the "Preferred Engineering Literature")." *Id.* at 8-9. After hearing expert testimony and reviewing the facts, the district court concluded that these references were material and were not cumulative of art already considered by the PTO. *Id.* at 8-10.

On appeal, the Federal Circuit held that all three references were not material. The court noted that "a withheld otherwise material prior art reference is not material for the purposes of inequitable conduct if it is merely cumulative to that information considered by the examiner." *Id.* at 19 (quoting

Digital Control, Inc. v. Charles Mach. Works, 437 F.3d 1309, 1319 (Fed. Cir. 2006). The court held that because there were other references before the Reexamination panel that disclosed the same elements as the three withheld references, these references were cumulative and therefore not material. *Id.* Based on these facts, the court held that the district erred in ruling that these references were material.

Disclosure of Office Actions in Related Cases:

During reexamination, Larson also failed to disclose two Office Actions (the Third and the Fourth) from a simultaneously prosecuted continuation application. *Id.* at 9. The two Office Actions contained both examiner comments and rejections. *Id.* at 29. Larson argued that the Office Actions merely reiterated rejections issued in previous Office Actions (the First and the Second) from the same application. Additionally, Larson argued that because it had disclosed all of the references discussed in those previous Office Actions to the Reexamination Panel, the withheld Office Actions were not material. *Id.* The district court found Larson's arguments unpersuasive and held that the withheld Office Actions were material.

Like the district court, the Federal Circuit found Larson's arguments unpersuasive and upheld the district court's finding that the withheld Office Actions were material. The court concluded that the withheld Office Actions were material "[b]ecause the Third and Fourth Office Actions contained another examiner's adverse decisions about substantially similar claims, and because the Third and Fourth Office Actions are not cumulative to the First and Second Office Actions." *Id.* at 30.

The facts in the *Larson* case are similar to the facts in *Dayco* where "the patentee failed to disclose rejections in a copending application of claims 'that were substantially similar in content and scope to claims pending in the applications that issued as the patents-in-suit.'" *Id.* (citing *Dayco Products, Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1367 (Fed. Cir. 2003)). The *Larson* court noted that "'a contrary decision of another examiner reviewing a substantially similar claim' [is] material. [B]ecause a 'rejection of a substantially similar claim refutes, or is inconsistent with the position that those claims are patentable, [the] adverse decision by another examiner . . . meets the materiality standard.'" *Id.* at 30-31 (quoting *Dayco*, 329 F.3d at 1368) (citations omitted). According to the Federal Circuit, Larson's arguments were unpersuasive "because they disregard the proposition that 'knowledge of a potentially different interpretation is clearly information that an examiner could consider important when examining an application.'" *Id.* at 31. As a result, the Federal Circuit held that the district court did not err in finding that the withheld Office Actions were not cumulative and material. *Id.* at 33.

Deceptive Intent:

The Federal Circuit did not reach the issue of deceptive intent on the merits. However, in dicta the court provided guidance to the district court regarding how to deal with this issue on remand. First, the court noted that "materiality does not presume intent, and nondisclosure, by itself, cannot satisfy the deceptive intent element." *Id.* at 35 (citing *Star Scientific*, 537 F.3d at 1366; *M. Eagles Tool Warehouse, Inc. v. Fisher Tooling Co.*, 439 F.3d 1335, 1340 (Fed. Cir. 2006); see also *Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1313 (Fed. Cir. 2008)). Deceptive intent, the court cautioned, must be proven by clear and convincing evidence, even when inferred. *Id.* Reiterating jurisprudence from the recently decided *Star Scientific* case, the Federal Circuit noted that: "the inference must not only be based on sufficient

evidence and be reasonable in light of that evidence, but it must also be the single most reasonable inference able to be drawn from the evidence to meet the clear and convincing standard." *Id.* at 36 (quoting *Star Scientific*, 537 F.3d at 1366).

Second, the Federal Circuit suggested that the district court consider any evidence of good faith. *Id.* The court noted that "while the court must consider any such evidence provided, the patentee is not required to offer evidence of good faith unless the accused infringer first meets its burden to prove—by clear and convincing evidence—the threshold level of deceptive intent." *Id.* For example, the Federal Circuit regarded Larson's notification to the Reexamination Panel of the simultaneous prosecution of the related application (in which the withheld Office Actions were issued) as evidence of good faith. *Id.* at 36-37. The court also recognized Larson's disclosure of court documents, including Aluminart's allegations of inequitable conduct, from a related litigation as evidence of good faith. *Id.* Thus, the Federal Circuit notes that Larson's good faith disclosures to the PTO should be taken into consideration in determining deceptive intent. *Id.*

Lesson Learned:

Patent practitioners beware. Following *Dayco*, the Federal Circuit again in *Larson* demonstrates how critical it is to cite material documents, including Office Actions, in related or separate families. If any uncertainty exists about the relevance of an article or Office Action, don't take any chances; cite it in an Information Disclosure Statement anyway. *Larson* demonstrates that if you pick and choose among which Office Actions to disclose to the USPTO, you do so at your own peril.

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