

Keywords: Inequitable conduct, gross negligence, materiality, intent, Rule 56

General: Finding that particular conduct amounts to “gross negligence” does not justify inference of intent to deceive unless involved conduct, viewed in light of all evidence, including evidence indicative of good faith, indicates sufficient culpability to require finding of deceptive intent, and ultimate question of whether inequitable conduct occurred is equitable in nature and as such is reviewed by appellate court under abuse of discretion standard; final determination that inequitable conduct occurred in relation to one or more claims renders entire patent unenforceable.

Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.
9 U.S.P.Q.2d 1384 (Fed. Cir. 1988)
Decided December 1, 1988

I. Facts

Kingsdown Medical Consultants, Ltd. sued Hollister, Inc. for infringement of U.S. Patent No. 4,460,363 ('363) relating to a two-piece ostomy appliance for use by patients with openings in their abdominal walls for release of waste. Hollister sought to invalidate the patent based on inequitable conduct during prosecution of the parent application and the continuation application which later issued as the '363 patent.

The allegations of inequitable conduct stemmed from a complex series of events that occurred in a prosecution involving 118 claims, a continuation, an appeal, a petition to make special, and citation and discussion of 44 references. The parent application was filed in February 1978. Claim 50 of the parent application was rejected for indefiniteness under 35 U.S.C. §112. Kingsdown amended claim 50 to overcome the §112 rejection, and the examiner allowed the amended claim 50.

While Kingsdown was appealing other rejected claims from the parent application, their patent attorney became aware of the potentially infringing Hollister device. Kingsdown engaged outside counsel to file a continuation application and withdrew the appeal. The continuation application (which issued as the '363 patent) eventually consisted of a total of 63 claims. Twenty-two claims were indicated as corresponding to previously allowed claims from the parent application. In July, 1982, with the continuation application, the applicant submitted a two-column list: one column listing the 22 previously allowed claims from the parent, the other column indicating the claim numbers of the 21 claims that corresponded to the previously allowed claims (two claims from the parent application were merged).

The list indicated that claim 43 in the continuation application corresponded to allowable claim 50 from the parent application. In actuality, Claim 43 in the continuation application corresponded to the *original, unamended claim 50*. Claim 43 was renumbered as claim 9, and issued with the '363 patent on July 17, 1984.

The Kingsdown attorney testified that he was not aware of the error until Hollister mentioned it in March 1987. In addition, experts for both parties testified they found no evidence of deceptive intent. The District Court found that the examiner relied on the representation by the applicant that claim 43 corresponded to allowable claim 50. Kingsdown argued that the examiner made an independent examination of claim 43. The District Court rejected Kingsdown's arguments and found Kingsdown guilty of inequitable conduct, thus invalidating the entire patent.

For the two elements of inequitable conduct, the District Court found:

Materiality: The allowability of claim 50 turned on the amendment that overcame the §112 rejection. Kingsdown's knowledge of materiality was inferred because claim 50 was only deemed allowable after the amendment to the claim language.

Deceitful Intent: The District Court found deceitful intent from:

(1) Gross negligence on the part of Kingsdown's patent attorney. The Court found that Kingsdown attorney was grossly negligent because a mere ministerial review of the parent application with the continuation application would have uncovered the error, and the attorney had several opportunities to make the review.

(2) Kingsdown's acts that indicated an intent to deceive the PTO. The District Court found that the narrower language of amended claim 50 gave Hollister a possible defense to infringement. The court inferred intent to deceive the PTO from the following acts: viewing the Hollister device after amending claim 50 but prior to filing the continuation application, desiring to obtain a patent that covers the device, and failing to disclaim or reissue after Hollister charged it with inequitable conduct.

The District Court rejected Kingsdown's argument that claim 9 (claim 43, i.e. unamended claim 50) satisfied the requirements of §112.

II. Issue

- A. Was the District Court's inferential finding of intent to deceive based on gross negligence an abuse of discretion?
- B. Was the District Court's inferential finding of intent to deceive based on Kingsdown's acts an abuse of discretion?

III. Discussion

- A. Yes. The Federal Circuit began by reviewing the relationship between gross negligence and the intent element of inequitable conduct. Intent to deceive cannot always be inferred from a pattern of conduct that can be described as gross negligence. The conduct must be sufficient "to require a finding of deceitful intent *in light of all the circumstances.*" (Emphasis added). The Federal Circuit decided that Kingsdown's conduct was not deceitful intent and that it probably didn't rise to the level of gross negligence. In reaching this conclusion, the Federal Circuit noted: the transferring of claims was a ministerial act which did not result in the patenting of anything anticipated or rendered obvious by anything in the prior art and took nothing from the public domain; the continuation application was prepared and filed by newly hired counsel; and the relative ease with which others also overlooked the application. The panel listed seven facts which indicated the relative ease of overlooking the differences in the claims, including the failure of defendant Hollister to notice the differences in the claims during three years of discovery and until after it had "carefully and critically" reviewed the file history 10 to 15 times with an eye toward litigation. The Federal Circuit found that, at worst, Kingsdown's conduct rose to the level of carelessness. The panel clarified conflicting precedent relating to the relationship between gross negligence and intent to deceive, stating that "gross negligence does not in and of itself justify an inference of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive."

- B. Yes. The Federal Circuit first notes that there is nothing “improper, illegal, or inequitable” in filing a patent application to exclude a known competitor’s product from the market, nor is it improper to amend or insert claims to cover the competitor’s product learned about during prosecution. The panel found that the District Court dealt with claim 9 in isolation; however, courts may look outside the involved claim in determining if inequitable conduct did occur. The panel stated that a “transfer of numerous claims *en masse* from a parent to continuation is a ministerial act” and is therefore more vulnerable to errors which result from inattention and not from deceitful intent. The more important reason relied on by the Federal Circuit relates to the other claims of infringement brought by Kingsdown. In addition to claim 9 (claim 43, the claim at issue for inequitable conduct), Kingsdown relied on infringement under other claims, three of which were broader in some aspects than claim 9. One of the additional claims for infringement also contained language similar to the language of amended claim 50, from which Kingsdown was accused of trying to avoid. The Federal Circuit reasoned that because the District Court did not decide the issue of infringement, it cannot be said that Kingsdown needed claim 9 to bring suit for infringement. If Kingsdown did not need claim 9 for infringement, then the District Court’s inference of deceptive intent would “collapse.” The panel also made a point of striking down the District Court’s mention of Kingsdown’s continuation of the suit after Hollister charged inequitable conduct. The panel expressed a strong concern that fear that a failure to disclaim or reissue will be used against a patentee might chill “to extinction” the patentee’s right to fight charges of inequitable conduct.