

Keywords: inequitable conduct, terminal disclaimer

General: A terminal disclaimer does not bind two related patents such that inequitable conduct in procuring the later prosecuted patent will automatically taint an earlier-issued patent.

Pharmacia Corp. v. Par Pharmaceutical Inc.

75 U.S.P.Q.2d 1949 (Fed. Cir. 2005)

Decided August 10, 2005

I. Facts

Plaintiff-Appellee, Pharmacia Corp. (Pharmacia), is the owner of U.S. Pat. Nos. 5,296,504 (the '504 patent) and 5,422,368 (the '368 patent). These patents claim priority to the same parent application and concern a drug for the treatment of glaucoma. The claimed drug, which is referred to herein as "the 17-phenyl compound," reduces fluid pressure in the eyes.

Defendant-Appellant, Par Pharmaceutical, Inc. (Par) filed an abbreviated new drug application seeking approval to market a generic form of Pharmacia's drug. In response, Pharmacia sued Par for infringement of both the '504 patent and the '368 patent.

At trial, Par admitted infringement of the patents at issue, but argued that inequitable conduct renders both patents unenforceable. Specifically, they argued that the '368 patent is unenforceable because of a misleading declaration and that this inequitable conduct automatically applies to the '504 patent because of a terminal disclaimer that effectively combines the two patents.

With respect to the '368 patent, Par argued that a declaration filed by Pharmacia was misleading because it was inconsistent with other non-cited papers authored by the declarant. During prosecution, the PTO rejected a number of claims in the '368 patent as obvious over a U.S. Pat No. 5,151,444 (the Ueno patent), which describes a genus that includes the claimed 17-phenyl compound. In response, Pharmacia argued that it is not obvious to select the claimed species from the disclosed genus because the Ueno patent prefers another compound in the genus that does not decrease intraocular pressure. In support of this argument, Pharmacia filed a 37 C.F.R. § 1.132 declaration by Dr. Stjernschantz stating that the compound preferred by the Ueno patent does not decrease intraocular pressure. However, Dr. Stjernschantz had authored other papers that stated that this compound *does* decrease intraocular pressure, and these papers were not cited to the PTO. Par argued that the failure to cite these inconsistent statements by the declarant constitutes inequitable conduct that renders the '368 patent unenforceable.

With respect to the '504 patent, Par argued that the inequitable conduct during the prosecution of the '368 patent extends to the '504 patent and renders it unenforceable, also. During prosecution of the '368 patent, Pharmacia filed a terminal disclaimer to overcome an obvious-type double patent rejection in view of the application that matured into the '504 patent. Par argued that the terminal disclaimer effectively combines the two applications, and inequitable conduct during prosecution of the '368 patent automatically applies to the '504 patent.

To survive a motion for summary judgment, Par had to succeed with both arguments, i.e., that the misleading declaration in support of the '368 patent constitutes inequitable conduct and that the effect of this conduct reaches the '504 patent because of the terminal disclaimer. The district court was only partially convinced. The court held that the '368 patent is not enforceable because of inequitable conduct but that the '504 patent still enforceable despite the terminal disclaimer.

Having already admitted to infringing the '504 patent, Par lost a motion for summary judgment and appealed.

II. Issues

- A. Did the district court correctly find that inequitable conduct occurred during prosecution of the '368 patent?
- B. Can a terminal disclaimer extend the effect of inequitable conduct to other patents?

III. Discussion

- A. Yes. The Federal Circuit states that "inequitable conduct includes affirmative misrepresentations of a material fact, failure to disclose material information, or submission of false material information, coupled with an intent to deceive." *Pharmacia Corp. v. Par Pharmaceutical Inc.*, 75 U.S.P.Q.2d 1952 (Fed. Cir. 2005). The appeals court agreed with the district court that the declaration was highly material and noted that "the applicants submitted these statements in support of patentability over the sole prior art reference relied upon by the Examiner." *Id.* Further, the court stated that the highly material nature of the declaration lowers the bar to show intent and found that the district court did not err in finding intent to deceive. *Id.* The panel concluded their analysis of this issue by stating that "the district court acted within its discretion in finding the '368 patent unenforceable due to inequitable conduct." *Id.*
- B. No. The district court correctly held that a terminal disclaimer does not bind two patents together so that inequitable conduct in procuring a later prosecuted patent will automatically infect an earlier issued patent. The appeals court began its analysis by noting that patents tied by a terminal disclaimer are independently presumed valid and that Pharmacia pays two sets of maintenance fees. *See id* at 1953. Additionally, the panel noted that the only cases in support of Par's position concern the extension of inequitable conduct to other claims within a single patent and not between patents. *See id.* The court also approvingly cited boilerplate in the terminal disclaimer that states "petitioner does not disclaim the terminal part of any patent granted on the instant application that would extend to the expiration date of the full statutory term ... in the event that it later ... is held unenforceable." *Id.* Finally, the panel noted that the '504 patent issued before the inequitable conduct occurred, although they do not appear to rely on this fact to reach their holding. *See id* at 1954. The appeals court concluded by affirming the district court's decision holding that the '504 patent is enforceable. *Id.*

IV. Conclusion

Because one of the two patents that Par admitted infringing is enforceable, summary judgment in favor of Pharmacia is upheld.