

Keywords: inequitable conduct; materiality; intent; related applications; “reasonable examiner” standard; citing rejections in related cases; citing allowance of related case

General: A patentee commits inequitable conduct by failing to cite material prior art discovered by one examiner in a co-pending case before a different examiner, by failing to cite a rejection of a “substantially similar” claim to a different examiner or by failing to cite an allowance of related claims by the same examiner in a continuation application.

McKesson Info. Sol’ns v. Bridge Med.

No. 06-1517 (Fed. Cir. 2007)

(available at <http://www.fedcir.gov/opinions/06-1517.pdf>)

Decided May 18, 2007

I. Facts

McKesson prosecuted a family of patent applications relating to a patient monitoring system. The system included a hand-held portable bar code reader that communicated with a base station located in the patient’s hospital room. The base station in turn was connected to a central computer located elsewhere in the hospital. The invention was referred to by McKesson during prosecution as “a 3-node system.” Another aspect of the invention was that the bar code reader was programmed with a unique address so that it would only communicate with a single base station.

The attached timeline summarizes the prosecution of the relevant applications. As shown in the timeline, two applications – the ‘149 application and the ‘278 application – were both filed on May 12, 1986. These applications related to different aspects of the 3-node system. The ‘149 application was examined by Examiner Lev and the ‘278 application was examined by Examiner Trafton. The Applicant cited the same prior art in both applications. The Applicant’s representative disclosed the existence of the ‘149 application to Examiner Trafton, but did not disclose any additional details.

During prosecution of the ‘278 application, the Applicant argued to Examiner Trafton that the prior art did not show a 3-node system. Seventeen days later, the Applicant’s representative had a telephone conference with Examiner Lev to discuss the Baker reference, which was newly discovered by Examiner Lev. Examiner Lev subsequently rejected the claims of the ‘149 application based on a combination of references that included Baker. The Applicant’s representative did not disclose the Baker reference to Examiner Trafton. The rejections made by Examiner Lev were also not disclosed to Examiner Trafton.

In subsequent prosecution, the Applicant filed a continuation-in-part of the ‘278 application. The continuation-in-part matured into the ‘372 patent. The Applicant’s representative failed to disclose the allowance of the claims by Examiner Trafton in the continuation-in-part application in the parent case, which was still pending before Examiner Trafton. Shortly thereafter, the parent application (the ‘278 application) matured into the ‘716 patent.

McKesson sued Bridge for infringement of the ‘716 patent. The district court eventually dismissed McKesson’s complaint, finding that the ‘716 patent was unenforceable because of the failure of McKesson’s representative to disclose three specific items to Examiner Trafton during prosecution. Those three failures were:

1. the failure of McKesson to disclose the Baker reference to Examiner Trafton;
2. the failure of McKesson to disclose the rejections made by Examiner Lev based on the Baker reference to Examiner Trafton; and

3. the failure of McKesson to disclose Examiner Trafton's indication of allowability received in the continuation-in-part case to Examiner Trafton in the parent case, which was still pending.

The district court found the requisite materiality and intent for each of these failures to disclose information, as follows:

The Baker reference

Materiality - Examiner Lev asserted that the Baker reference disclosed a 3-node system, which was arguably not shown by any other single prior art reference. Prior to the discovery of Baker by Examiner Lev, McKesson had cited the same references to both Examiners. McKesson's failure to cross-cite Baker to Examiner Trafton was taken by the district court to evidence materiality based on the testimony of McKesson's patent attorney that references were probably material if they are cited to different Examiners in cases with "substantially similar" claims. The district court also found that Baker disclosed the "unique address" feature that was an important element in McKesson's claims. The court also noted that McKesson would not have been able to make the argument it made 17 days before learning of the Baker reference that the prior art did not disclose a 3-node system. The district court was not persuaded by McKesson's argument that Baker was merely cumulative.

Intent – The court inferred that McKesson's representative had acted with intent to deceive the Patent Office because McKesson learned of the materiality of the Baker reference from the Patent Office itself. Examiner Lev went as far as suggesting the cancellation of claims in the '149 application based on Baker. McKesson did in fact cancel claims rather than argue their patentability over Baker. Also noted by the court was the short 17-day gap between McKesson's argument to Examiner Trafton that the prior art did not disclose a 3-node system and the telephone conference with Examiner Lev when McKesson learned of Baker. The failure of McKesson's representative to have made a contemporaneous record that Baker was cumulative was another fact cited by the court in support of its inference of bad intent.

Examiner Lev's rejections based on Baker

Materiality –The district court cited the Federal Circuit case of *Dayco Products, Inc. v. Total Containment, Inc.*, 329 F.3d 1358 (Fed. Cir. 2003) as authority for the requirement that an applicant must cite rejections of "substantially similar" claims in related cases. The court concluded that the claims rejected by Examiner Lev in prosecution of the '278 application and claims pending before Examiner Trafton in the '149 application were substantially similar because both related to 3-node systems and both sets of claims recited the "unique address" limitation contended by Examiner Lev to be disclosed by Baker. Also cited by the court was McKesson's decision to cancel claims in the '149 application rather than argue their patentability over Baker. McKesson's citation of the mere existence of the '149 application to Examiner Trafton did nothing to persuade the court of Baker's lack of materiality.

Intent – The court inferred bad intent in the failure of McKesson's representative to cite Examiner Lev's rejections in the '149 application to Examiner Trafton based on the testimony of McKesson's representative that he did not consider the rejections in the '149 application to be material to the prosecution of the '278 application because the claims in the '149 application related only to a terminal rather than the entire system. The court noted that both sets of claims included references to all the elements of a 3-node system. The skepticism of the court was enhanced by the testimony of McKesson's representative that the argument that the claims of the '149 patent related only to a terminal rather than the entire system was a "distinction without a difference." The court was also unmoved by McKesson's contention that the representative's law firm did not have procedures for citing rejections in related cases or the contention that the

requirement of citing rejections was newly created in the *Dayco* case, many years after the relevant events in McKesson's case.

The allowance of the CIP claims by Examiner Trafton

Materiality – As set forth above, the district court found the allowance of claims in a continuation-in-part application by Examiner Trafton to be material to the parent claims, which were still pending before Examiner Trafton at the time of allowance of the continuation-in-part application. Materiality, the court concluded, was evidenced by the fact that Examiner Trafton was deprived of the “conceivable” opportunity to consider whether the pending claims of the ‘278 parent case were objectionable on the basis of obviousness-type double patenting. This finding was made in spite of the fact that the allowed claims of the continuation-in-part application did not include the “unique identifier” limitation.

Intent – Intent to deceive the Patent Office was found by the district court based on the fact that claims in both cases included means-plus-function limitations, which were defined by the specification. Because the specification included common disclosure, the court reasoned that McKesson's representative “should have known, if he did not know, that an allowance of identical claims might have been important to make of record.”

McKesson appealed the decision of the district court to the Federal Circuit.

II. Issues

1. Did the district court properly find inequitable conduct based on McKesson's failure to disclose the Baker reference to Examiner Trafton?
2. Did the district court properly find inequitable conduct based on McKesson's failure to disclose Examiner Lev's rejections based on the Baker reference to Examiner Trafton?
3. Did the district court properly find inequitable conduct based on McKesson's failure to disclose Examiner Trafton's allowance of claims in the continuation-in-part application to Examiner Trafton in the still-pending parent case?

III. Discussion

1. Yes. The district court did not clearly err in finding that McKesson's failure to disclose the Baker reference to Examiner Trafton constituted inequitable conduct.
2. Yes. The district court did not clearly err in finding that McKesson's failure to disclose Examiner Lev's rejections based on the Baker reference to Examiner Trafton constituted inequitable conduct.
3. Yes. The district court did not clearly err in finding that McKesson's failure to disclose Examiner Trafton's allowance of claims in the continuation-in-part application to Examiner Trafton in the parent case constituted inequitable conduct. The Federal Circuit expressly did not decide the issue of whether each of McKesson's three failures to disclose material information standing alone would be sufficient to render the ‘716 patent unenforceable.

IV. Note

The Federal Circuit opinion in *McKesson* is attributed to Senior Circuit Judge Cleverger, but it is not the work product of one who is steeped in the details of the day-to-day practice of patent law.

There are several telltale signs. One is the reference to claims that “teach.” See *McKesson* slip opinion, p. 8. Another is the fluffy, idealistic discussion of the unfathomable breadth of the type of information to be disclosed under the duty of candor. See *McKesson* slip opinion, pp. 40-42.

Not much better is Judge Newman’s dissent, clearly the only portion of the opinion written by a Judge rather than a law clerk. The dissent, which is incredibly garbled considering it is barely a full page in length, does not make clear whether Judge Newman disagrees with her colleagues on all three grounds of *McKesson*’s failure to disclose information. It seems to imply that she only disagrees with the finding of inequitable conduct based on the failure of *McKesson* to disclose the allowance of claims in a case that was before the same examiner. She correctly notes, however, that this case will reignite the “plague” of inequitable conduct charges in patent litigation.