

Keywords: inequitable conduct; materiality; intent; reexamination; continuation;

General: Failure to cite office actions articulating new rejections of a continuation application in the reexamination of the parent application is material and may lead to a finding of inequitable conduct.

Larson Manufacturing Co. v. Aluminart Products Ltd.

No. 2008-1096, -1174 (Fed. Cir. March 18, 2009)

I. Facts

Larson owns the '998 patent (issued from the '465 application) on storm doors with a moving glass insert. The insert moves in weather-stripping lined tracks and attaches to a spring-based rolled screen. The '998 patent issued on Sept 16, 2003. On June 25, 2003, Larson filed a continuation application (the '039 Continuation) based on the '998 patent. On October 24, 2003, Larson filed suit against Aluminart for infringement of the '998 patent. In their response, Aluminart alleged that Larson had engaged in inequitable conduct during prosecution of the '465 application. Aluminart also filed for an ex parte reexamination of the '998 patent on Sept. 28, 2004, based on prior art not submitted during prosecution (the "Johnson patent"). Aluminart requested reexamination of claims 14-22 of the '998 patent based on the Johnson patent. The district court stayed the lawsuit pending the outcome of the reexamination.

The '039 Continuation

Both the '039 Continuation and the reexamination of the '998 patent were pending at the PTO at the same time. The same patent attorney, James Patterson, represented Larson in prosecution of the '039 Continuation and the reexamination. In September 2004, the Examiner issued a "First Office Action" for the '039 Continuation in view of the Johnson patent. Aluminart included this First Office Action in its reexamination request. The Examiner issued a "Second Office Action" on May 3, 2005, and a "Third Office Action" on Sept. 21, 2005, rejecting the claims in view of the Johnson patent and additional references (the Ralph patent and the Kemp patent). Finally, the Examiner issued a "Fourth Office Action" on June 23, 2006, rejecting the claims of the '039 Continuation in view of the Johnson and Kemp patents. Additionally, the Examiner cited a German patent (the DE '478 patent) in the Fourth Office Action. As of the appeal, the '039 Continuation did not issue and appeared to have been abandoned.

The Reexamination of the '998 Patent

Regarding the reexamination, Larson's attorney submitted an IDS with 200 references for review by the Reexamination Panel. The attorney also submitted several district court pleadings including the initial inequitable conduct allegations. Regarding the '039 Continuation, the attorney submitted the co-pending '039 Continuation, the Second Office Action, and three additional references cited in the prosecution of the '039 Continuation: U.S. Patent No. 5,540,476, the Kemp patent, and the Ralph patent. Larson's attorney did not submit the Third Office Action, the Fourth Office Action, or the DE '478 patent. On Sept. 15, 2005, the Reexamination Panel rejected claims 1-22 as anticipated by the Johnson patent or as obvious in view of the Johnson patent combined with other references. Larson's attorney successfully overcame the rejection by arguing that the Johnson patent did not disclose an "elongated feed assembly which slides in the fabric tracks between facing weather stripping." The Reexam Panel withdrew the rejections and issued a Notice of Intent to Issue an Ex Parte Reexamination Certificate on January 26, 2006, canceling claims 1-10, confirming the patentability of claims 14-20, and allowing claims 11-13, 21, and 22 with amendments. The Reexamination Certificate published on Sept. 19, 2006.

District Court Proceedings

After the reexamination, the district court lifted the stay and the litigation resumed. Aluminart amended its pleadings to allege that Larson engaged in inequitable conduct during the reexamination by withholding four items: 1) product and marketing materials by Genius (the “Genius Literature”); 2) the DE ‘478 patent; 3) product and marketing materials by Preferred Engineering (the “Preferred Engineering Literature”); and 4) the Third and Fourth Office Actions of the ‘039 Continuation. Aluminart relied on its own comparisons and expert testimony to prove materiality of the references. Larson argued that each of the alleged material references were cumulative of prior art already disclosed in the reexamination. Further, Larson argued that every critical reference cited in the Third and Fourth Office Actions had already been disclosed to the Reexamination Panel, and these Office Actions merely contained examiner analysis that was the same as the already cited First and Second Office Actions. Finally, Larson argued that mere withholding of references, without more, could not constitute deceptive intent, and the disclosure of the ‘039 Continuation was evidence of good faith that mitigated a finding of such intent.

After a bench trial, the district court found that Larson had engaged in inequitable conduct and ruled the ‘998 patent unenforceable. The district court, relying in part on Aluminart’s expert testimony, found each allegedly withheld reference material. The court inferred intent from the circumstances, stating that Larson did not provide any plausible excuse for withholding the references. After balancing intent and materiality, the court found that Larson had engaged in inequitable conduct. Aluminart argued for an “exceptional” case and moved for attorney’s fees under 35 U.S.C. § 285. The court denied the motion, noting that Larson did cite the ‘039 Continuation and had not made affirmative misrepresentations. Larson appealed the decision of the district court, and Aluminart cross-appealed the court’s decision that the case was not exceptional.

II. Issues

- A. Did the district court err in finding inequitable conduct regarding failure to disclose the Genius Literature and DE ‘478 patent?
- B. Did the district court err in finding inequitable conduct regarding failure to disclose the Preferred Engineering Literature?
- C. Did the district court err in finding inequitable conduct regarding failure to disclose the Third and Fourth Office Actions from the ‘039 Continuation?
- D. Did the district court err in finding the requisite deceptive intent?

III. Discussion

- A. Yes, the Federal Circuit found that the district court clearly erred in ruling the Genius Literature and the DE ‘478 patent material and not cumulative of an earlier cited reference (“the Kissinger patent”). The Genius Literature and the DE ‘478 patent were found to be material because they disclosed an “elongated member extending into the screen tracks and between weather stripping.” However, the court found the Kissinger patent specifically disclosed these elements. The court found contrary statements in the expert’s testimony, and also found some of the testimony regarding the differences between the references irrelevant to the claim limitations at issue, stating that the irrelevant differences were therefore immaterial.
- B. Yes, the Federal Circuit found that the district court clearly erred in finding the Preferred Engineering Literature material and not cumulative of the Kemp patent. The court found the Kemp patent *more* material than the Preferred Engineering Literature because it more completely describes the limitations at issue than the Preferred Engineering Literature. The court found that Aluminart’s expert testimony essentially admitted that the Kemp patent was more material than the Preferred Engineering Literature.

- C. No, the Federal Circuit found that the district court did not err in finding the Third and Fourth Office Actions of the '039 Continuation material and not cumulative. Larson argued that “despite not having the subsequent Third and Fourth Office Actions before it, the Reexamination Panel was aware of the simultaneous proceedings before the PTO and the possibility of further office actions in the '039 Continuation.” Larson also argued that it disclosed each material reference cited in the Third and Fourth Office Action, and the DE '478 patent was merely cited by the examiner as an example of art already before the Reexamination Panel. Larson also argued that the Third and Fourth Office Actions “provided only summary rejections without meaningful analysis.” Thus, Larson argues that because the Third and Fourth Office Actions did not contain any different analysis than previous Office Actions (which were disclosed to the Reexamination Panel), the Third and Fourth Office Actions were cumulative and not material.

Aluminart argued that both the references and the substance of the examiner’s comments in the office actions are material. Specifically, Aluminart pointed out that in the Third Office Action, the examiner rejected the claims at issue under the Johnson patent for disclosing a screen that extends into tracks. However, Larson argued the exact opposite position to the Reexamination Panel. Additionally, Aluminart alleged that the Fourth Office Action included a new rejection based on the Johnson and Kemp patents.

The court agreed with Aluminart. Citing *Dayco Products v. Total Containment, Inc.*, the court reiterated that “a contrary decision of another examiner reviewing a substantially similar claim” was material. Noting the similar content and scope between the claims of the '039 Continuation and the '998 patent, the court found Larson’s arguments were unpersuasive because “knowledge of a potentially different interpretation is clearly information that an examiner could consider important when examining an application.”

The court noted that in Third Office Action, the examiner explained for the first time that the Johnson patent showed “the screen attached ‘across its width’ . . . to the coupling element . . . indicating that such extends into the tracks.” Larson argued the contrary to the Reexamination Panel. Further, although the examiner of the '039 Continuation later withdrew this argument in light of the Larson’s arguments, as did the Reexamination Panel, this later view “does not change the fact that the Third Office Action contained valuable reasoning and rejections at the time when it was made.” Further, the court also stressed the time period between the rejection and the withdrawal, noting that “the time from when the first Office Action issued to the time with Fourth Office Action withdrew the pertinent rejection” was more than a year.

With regard to the Fourth Office Action, the court found that the Fourth Office Action included a new rejection in view of the Johnson and Kemp patents. The court noted that the Reexamination Panel failed to come to the same conclusion as the examiner in the Fourth Office Action. Again, the court stated that because the Fourth Office Action included a rejection “based on a different explanation and interpretation of the Kemp patent and other prior art,” the Fourth Office Action was material and not cumulative.

- D. Yes. Because the district court inferred deceptive intent based on Larson’s failure to disclose all five items, and three of those five items were held not material on the appeal, the court vacated the district courts finding of intent. The court remanded for a determination of whether Larson withheld the Third and Fourth Office Actions with the threshold level of intent and, if so, if the balancing of intent with materiality results in a finding of inequitable conduct and unenforceability of the '998 patent. Because the court vacated the finding of inequitable conduct, Aluminart’s cross-appeal was ruled moot.

Dicta

The court, “in the interest of judicial economy,” provided “guidance to the district court with respect to the issue of deceptive intent.” Specifically, the court stated four factors:

- 1) On remand, it is not necessary for the district court to accept additional evidence
- 2) Materiality does not presume intent and nondisclosure, by itself, cannot satisfy the deceptive intent argument
- 3) The district court should take into account any evidence of good faith (the court especially noted the disclosure of the ‘039 Continuation to the Reexamination Panel
- 4) If the district court finds deceptive intent, it is then required to balance the levels of materiality and intent to determine if a finding of inequitable conduct is warranted

IV. Concurring Opinion

Judge Linn wrote a concurring opinion to note that ‘this precedent has significantly diverged from the Supreme Court’s treatment of inequitable conduct and perpetuates what was once referred to as a ‘plague’ that our en banc court sought to cure in *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*’ Judge Linn noted the large number of references submitted by the patentee and the focus in litigation on the allegations of inequitable conduct for both the original patent and the reexamination “to the exclusion of the patentee’s infringement contentions.” Judge Linn argued that the standard for intent is now effectively lower than “gross negligence,” as intent may now be inferred when: “(1) highly material information is withheld; (2) ‘the applicant knew of the information [and] ... knew or should have known of the materiality of the information; and (3) the applicant has not provided a credible explanation for the withholding.’” In criticizing this three-pronged test, Judge Linn stated:

As it now stands, the test generally permits an inference of deceptive intent to be drawn whenever the three prongs are satisfied. This is in tension with the rule in *Star Scientific* 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.” *Id.* at 1366 (emphasis added). It cannot be said that deceptive intent is the “single most reasonable inference” when all that prong two shows is that the patentee “should have known” that the information was material. An equally reasonable inference under this test is that the patentee incorrectly believed that the information was not material, or that the patentee was negligent, or even grossly negligent. None of these gives rise to deceptive intent under *Kingsdown*, nor is deceptive intent the “single most reasonable inference” under *Star Scientific*.

Judge Linn concluded the concurrence by calling for the court to review the issue en banc.

V. Conclusion

All references and Office Actions of applications related to a patent under reexamination should be cited in the reexamination. Generally notifying the Reexamination Panel of the related application may be insufficient to meet the duty to disclose. Particularly, if the Office Action articulates a new or different rejection of similar claims, the Office Action should be cited in the reexamination.