

**Keywords:** inequitable conduct; joint infringement; intent; materiality;

**General:** Information that directly contradicts an applicant's statements, even if not prior art, is most likely material and should not be excluded from submission to the Examiner for consideration. For a finding of intent, a court must provide detailed factual findings with respect to crucial facts. Joint infringement can only be found if there is sufficient evidence for a finding or inference of "control" or "direction."

*Golden Hour Data Systems, Inc. v. emsCharts, Inc.*

96 U.S.P.Q.2d 1065(Fed. Cir. 2010)

Decided August 9, 2010

**I. Facts**

Golden Hour owns U.S. Patent No. 6,417,073 (the '073 patent) directed to computerized systems and methods for information management services in connection with emergency medical transport. The claims recite integrating dispatch and billing data and integrating dispatch and clinical services data. In the specification of the filed application, the patentee distinguished the application over an existing "AeroMed system." The patentee described the deficiencies of the AeroMed system in the specification, stating that the AeroMed system does not integrate clinical diagnosis, billing and administration. During prosecution of the application, the prosecution counsel (Fuller) submitted an IDS further identifying the AeroMed system.

In September, 2006, Golden Hour sued emsCharts and Sofitech for infringement of the '073 patent. Specifically, Golden Hour accused emsCharts of directly infringing claims 10 and 12-14 and accused emsCharts and Sofitech of joint infringement with regard to system claims 1, 6-8, and method claims 15-22. The jury returned a verdict for Golden Hour, finding that an AeroMed brochure did not anticipate the '073 patent and finding infringement of the asserted claims. The jury also awarded \$3.5M for willful infringement by emsCharts.

After the jury trial the district court held a bench trial on inequitable conduct based on the AeroMed brochure that was found to be non-anticipating. The brochure was undated and described the AeroMed system. The AeroMed brochure described the AeroMed system as including a dispatch module combined with medical charting and billing (integrated billing). One of the inventors of the '073 patent (Hutton) stated that he received the brochure three weeks after filing the application and that he gave the brochure to prosecution counsel.

Based on the brochure, prosecution counsel prepared the IDS identifying the AeroMed system based on the brochure. However, the IDS did not disclose the integrated billing system described in the brochure, and the brochure was never provided to the Examiner. The district court found the AeroMed brochure material based on the disclosure of integration and billing in the brochure. The district court found intent based on Golden Hour's nondisclosure of the brochure and selective disclosure of the contents of the brochure and, balancing intent and materiality, the district court found inequitable conduct. The district court also granted emsCharts' motion for JMOL with respect to the jury's verdict of joint infringement, based on a lack of "control" or "direction" by emsCharts or Sofitech. Golden Hour appealed the finding of inequitable conduct and the grant of JMOL.

**II. Issues**

- A. Did the district court err in finding inequitable conduct?
- B. Did the district court err in granting emsCharts motion for JMOL of no joint infringement?

### III. Discussion

- A. Yes. The Federal Circuit found that the district court failed to properly consider if the inventors and prosecution counsel actually read the brochure and, thus, must make additional factual findings with regard to the intent prong of inequitable conduct. The court reviewed the standard for inequitable conduct as set forth in *Digital Control* and also reviewed the duty of disclosure under Rule 56 and the “reasonable examiner” standard of *Star Scientific*. Golden Hour first argued that the AeroMed brochure would be precluded from consideration by an Examiner because it was not known to be prior art, and it therefore cannot be material. The court noted that both the M.P.E.P. and prior case law contradict this argument, stating that “the sections on which Golden Hour relies do not limit an IDS to the submission of prior art references” and “our prior cases make clear that information may be material even if it does not qualify as prior art.”

First, the court noted that the brochure may have qualified as prior art, as the brochure’s author testified that the brochure existed as of a 1996 trade show. Second, the court found that the brochure was material because it contradicted other representations to the PTO, specifically those statements characterizing the AeroMed system in the prior art. The court stated that “the present-tense representation that the AeroMed system ‘does not provide comprehensive integration . . . with . . . billing’ continued unchanged throughout the pendency of the application” and was in direct contradiction to the AeroMed brochure. The court further reasoned that “[b]y not correcting the statement in the specification, applicants continued to maintain its truth in direct contradiction to what is disclosed in the AeroMed brochure.” Finally, the court found that the selective disclosure in the IDS that listed the features of the AeroMed system but did not list integrated billing “would lead one to believe that the AeroMed system did not provide comprehensive integration with billing.” Based on these factors, the court found the AeroMed brochure material.

With regard to the intent prong, the court agreed with some of the district court’s conclusions regarding the inference of intent from the high materiality of the brochure, the selective disclosure, and the lack of a credible explanation. Prosecution counsel explained that it was his practice “not to submit undated materials.” The court found that the district court could have found this explanation not credible, especially in light of the disclosure of only portions of the brochure. Further, the court found the district court did not err in concluding that even a “cursory review” of the brochure would have revealed the material features omitted by prosecution counsel.

However, the Federal Circuit determined that the key question is if the inventor or prosecution counsel actually read the brochure. Although prosecution counsel testified that he did not recall reading the brochure, and the inventor testified that he understood that the AeroMed system did not include integrated billing, the district court discredited the testimony from both the prosecution counsel and the inventor. The Federal Court noted other possible explanations that may be concluded from the testimony, and found that “the district court did not actually find that either Fuller or Hutton was aware of the inside contents of the brochure.” The court found that because the intent finding “so often turn[s] on a district court’s credibility determination . . . it is essential that the court provide detailed factual findings with regard to crucial facts—such as whether Fuller and/or Hutton read the entire brochure.” The court dismissed Golden Hour’s arguments that no remand is necessary and appeared to provide a basis for a finding of intent. The court remanded to the district court to make detailed factual findings and “[i]n particular . . . whether Hutton or Fuller in fact read the brochure and deliberately decided to withhold damaging information from the PTO.”

- B. No. With regard to the asserted method claims, the court agreed with the district court that the evidence was insufficient to infer the control or direction necessary for a finding of joint infringement. With regard to the system claims, Golden Hour argued that “emsCharts was liable for infringement of those claims because emsCharts sold its emsCharts.com program and Softech’s Flight Vector software together, and together these systems comprised the systems of the asserted claims.” The court found that, by agreement, the system claims were submitted to the jury only on a joint infringement theory, and that the verdict could only be sustained if there was a sufficient “control” or “direction.”

#### **IV. Dissenting Opinion**

Judge Newman dissented on both the inequitable conduct and joint infringement rulings. Judge Newman argued that “if deceptive intent was not established at the trial of this issue, by the party with the burden to do so, it is inappropriate for this court to remand for another shot at it.” In view of the failure to establish deceptive intent, and the jury’s finding that the AeroMed brochure was not invalidating, Judge Newman stated that “the charge of inequitable conduct should be laid to rest.”

Alternatively, Judge Newman noted that, in view of the inconsistencies in inequitable conduct precedent and the pending en banc case of Therasense, the inequitable conduct proceeding should be stated “until conflicting precedent is clarified.”

With regard to the joint infringement issue, Judge Newman argued that the “strategic partnership” and collaboration between emsCharts and Softech practiced every limitation of the invention. Based on this and the additional evidence presented at trial, Judge Newman argued that a reasonable jury could have found that this collaborative activity infringed the claims.

#### **IV. Conclusion**

When characterizing prior art in the background section, avoid reference to or characterization of specific devices and systems. If citing material in an IDS, even if the material is believed to be non-prior art, provide the material to the Examiner and do not selectively cite portions of the material. Method claims should be drafted to cover direct infringement by a single actor.