

Keywords: **Inequitable Conduct; Ex Parte Reexamination; Deceptive Intent**

General: **A party seeking to prove inequitable conduct must show by clear and convincing evidence that an applicant made misrepresentations or omissions material to patentability, that the applicant did so with the specific intent to mislead or deceive the USPTO, and that deceptive intent was the single most reasonable inference to be drawn from the evidence.**

The Ohio Willow Wood Company v. Alps South, LLC

U.S. Court of Appeals for the Federal Circuit

Nos. 2015-1132, 2015-1133

Decided: February 19, 2016

I. Facts

The Ohio Willow Wood Company (“OWW”) filed the present action in 2004, charging Alps South, LLC (“Alps”) with infringement of U.S. Patent No. 5,830,237 (“the ‘237 patent”). The ‘237 patent relates to a cushioning device that fits over a residual stump of an amputated limb. The cushioning device consists of a stretchable piece of synthetic fabric that is coated with a gel on only the side touching the residual stump. After a claim construction order by the district court, Alps challenged the validity of the ‘237 patent in two successive ex parte reexamination proceedings before the PTO.

The first reexamination, initiated in 2006, focused on advertisements for a prior art cushioning device called the Silosheath made by Silipos, Inc., which is one of OWW’s competitors. The examiner initially rejected all of the challenged claims of the ‘237 patent based on the Silosheath prior art. This rejection was overcome by OWW by showing that the gel of the Silosheath prior art had bled through to the outer prosthetic side of the Silosheath liner. Accordingly, the examiner allowed OWW to amend its claims to clarify that the gel coating is found only on the inner side of the claimed device, and the examiner issued a reexamination certificate.

After completion of the first reexamination, Alps initiated a second reexamination in 2008. The new request for reexamination was based on an advertisement in a trade magazine, which depicted a gel liner identified as the Single Socket Gel Liner (“SSGL”), from the Silosheath product line of Silipos. The central issue in the second reexamination was whether the synthetic fabric used in the SSGL prevented the gel on the skin side of the liner from bleeding through to the prosthetic side. Alps also presented a declaration and deposition testimony from Jean-Paul Comtesse, who worked for Silipos when the Silosheath and the SSGL were developed. Comtesse stated that SSGL did not have the

same gel bleed-through problem as the Silosheath due to a thicker and denser fabric than the Silosheath fabric.

The examiner rejected the claims of the '237 patent in light of the SSGL and other prior art. OWW appealed the rejection to the Board of Patent Appeals and Interferences ("the Board") arguing the Comtesse's testimony was unreliable because it was uncorroborated and because Comtesse was a highly interested witness. In particular, OWW argued that Comtesse's testimony relating to the SSGL was not corroborated by any evidence other than the SSGL advertisement. Further, OWW argued that Comtesse was an inventor of SSGL and that he was still receiving royalties for that product. Based on this testimony, the Board held that the examiner had erred in crediting Comtesse's testimony that the gel was only on the inner side of the SSGL.

After the second reexamination, the district court granted Alps's motion for summary judgment of invalidity as to all the asserted claims of the '237 patent based on the collateral estoppel effect of a decision against OWW in a case from a different district court and for obviousness based on the Silosheath, the SSGL, and other prior art references. The district court also addressed Alps's inequitable conduct claim, which was predicated on OWW's conduct before the PTO during the two reexamination proceedings. As to the inequitable conduct claim, the court granted summary judgment to OWW, holding that there was no triable issue of inequitable conduct.

Both sides appealed the district court's ruling, and the Federal Circuit affirmed the invalidity summary judgment, but concluded that the inequitable conduct claim presented genuine issues of material fact. Accordingly, the summary judgment of no inequitable conduct was reversed and remanded to the district court for trial.

On remand, after the trial, the district court issued an opinion finding inequitable conduct in the second reexamination, but not in the first. The court found that inequitable conduct arose from the conduct of James Colvin, OWW's Director of Research and Development, who was responsible for overseeing the Alps litigation for OWW. With an ethical screen separating the attorney handling OWW's reexamination proceedings from another attorney from the same firm that handled the litigation proceedings, Colvin became the connection between OWW's litigation and reexamination counsel. Colvin testified that he did not send OWW's reexamination counsel all information. Colvin only provided OWW's reexamination counsel with requested information or what Colvin thought was appropriate. The district court ruled that Colvin engaged in inequitable conduct during the second reexamination based on factual findings regarding whether Comtesse's testimony was uncorroborated. In particular, the district court found (1) that Colvin was aware that OWW's reexamination counsel had represented to the Board that Comtesse's testimony was entirely uncorroborated; (2) that Colvin was aware of materials that corroborated Comtesse's testimony; and (3) that Colvin failed to correct OWW's reexamination counsel's misrepresentations.

The items that the district court identified as corroborative of Comtesse's testimony included a pair of letters sent to OWW in 1999 by an attorney for Silipos indicating a product that contained polymeric gel on only an inside of a sock with sales that pre-dated the filing date of the '237 patent. These letters were not disclosed by OWW to the reexamination counsel, and the letters were not disclosed to the PTO. The district court found that Colvin was aware of the letters and that the letters were corroborative of Comtesse's testimony. The court found that absent OWW's misrepresentations that no corroborating evidence existed, the Board would not have reversed the examiner and reinstated the '237 patent.

As for the issue of intent, the district court found that the evidence was sufficient to infer deceptive intent on the part of Colvin. In particular, the district court noted that Colvin had no explanation for his failure to present the corroborating documents to either OWW's prosecution counsel or the PTO. Therefore, the district court held that the most reasonable inference from the evidence is that OWW acted with deceptive intent in misrepresenting the existence of evidence corroborating the Comtesse testimony. Based on the inequitable conduct finding, the district court held the '237 patent unenforceable, found the case to be exceptional, and imposed a fee award against OWW requiring OWW to pay Alps's attorneys' fees incurred in litigating the case after the date of the Board's decision on the second reexamination. OWW appealed the ruling of the district court, and Alps cross-appealed the ruling of the district court that no inequitable conduct was found during the first reexamination.

II. Issues

A. Did the district court err in the ultimate finding of inequitable conduct against OWW for the second reexamination?

B. Did the district court err by not finding inequitable conduct against OWW for the first reexamination?

III. Discussion

A. No. The Federal Circuit upheld the district court's findings, and held that the district court did not abuse its discretion in determining that Colvin was guilty of inequitable conduct in the second reexamination.

On appeal, the Federal Circuit reviewed the district court's findings of fact on the issues of materiality and intent for clear error. Under *Therasense*, a party seeking to prove inequitable conduct must show by clear and convincing evidence that the patent applicant made misrepresentations or omissions material to patentability, that he did so with the specific intent to mislead or deceive the PTO, and that deceptive intent was the single most reasonable inference to be drawn from the evidence. To prove the element of materiality, a party claiming inequitable conduct must show that the patentee withheld or misrepresented information that, in the absence of the withholding or misrepresentation,

would have prevented a patent claim from issuing. The Federal Circuit found that the evidence known to Colvin, but withheld from the PTO, was material to patentability in the second reexamination. While the evidence was not itself invalidating, it corroborated the evidence provided by Comtesse's testimony. In particular, the Federal Circuit agreed that the withheld evidence became "but-for" material to patentability once OWW argued to the Board that Comtesse's testimony was uncorroborated.

Regarding the intent element, deceptive intent must be the single most reasonable inference drawn from the evidence. The Federal Circuit agreed that the district court's determination that deceptive intent was the most reasonable inference for Colvin withholding the letters is not clearly erroneous. In particular, the Federal Circuit agreed with the district court that because Colvin had no explanation for his failure to present the letters to OWW's reexamination counsel or the PTO, the most reasonable inference is that Colvin acted with deceptive intent. Separately, the Federal Circuit rejected the district court's finding of inequitable conduct related to Colvin being aware of other allegedly material information because there was no clear and convincing evidence that Colvin knew of the other allegedly material information.

B. No. The Federal Circuit found that the findings of the district court are not clearly erroneous and rejected Alps's contention that the court's differing conclusions with respect to the two reexaminations cannot stand. In particular, the Federal Circuit agreed with the district court's conclusion that Alps failed to show that any of the items that it complained were not provided to the PTO in the first reexamination were "but-for" material to the first reexamination.

IV. Conclusion

In-house managers of intellectual property matters must make sure they understand the duty of candor when managing post-grant review proceedings before the PTO that are related to litigation matters that the in-house managers previously managed. In particular, the in-house manager has a duty to disclose material information to the PTO during the post-grant review proceeding. Accordingly, inaction is *not* a defense to inequitable conduct.