

The Legal Standards

The Law Of Inequitable Conduct

Nobody ever confesses to having had an intent-to-deceive a patent examiner. “Intent [to deceive] need not be proven by direct evidence; it is most often proven by a showing of acts, the natural consequences of which are presumably intended by the actor. . . . Generally, intent must be inferred from the facts and circumstances surrounding the applicant's conduct.” *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1180-81 (Fed. Cir. 1995) (“Failure to cite to the PTO a material reference cited elsewhere in the world justifies a strong inference that the withholding was intentional.”).

Thus, the Federal Circuit has held, in two different lines of cases (perhaps soon to be clarified in the pending *en banc* review of the *Therasense* case), that to meet the clear and convincing evidentiary standard currently imposed on the defendant who alleges an intent to deceive, and thus inequitable conduct, an allegation of such intent can be based on either (1) circumstances where the applicant "should have known" of the materiality of withheld information, or (2) circumstances for which the single most reasonable inference is an intent to deceive.

The easier way to meet the clear and convincing standard is set forth in the following two cases and their progeny: *Brasseler, US.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1380 (Fed. Cir.2001), and *Ferring B. V. v. Barr Labs, Inc.*, 437 F.3d 1181, 1191 (Fed. Cir. 2006). These cases hold that that intent can be established where the applicant "should have known" of the materiality of withheld information.

However, the tougher way to meet the clear and convincing standard for finding

an intent to deceive is the one followed by Mr. Gordon in his report:

“To make an inference of intent to deceive, 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 to meet the clear and convincing standard. See *Scanner Techs. Corp. v. ICOS Vision Sys. Corp.*, 528 F.3d 1365, 1376 (Fed. Cir. 2008).”

Orion IP, LLC, v. Hyundai Motor America, 605 F.3d 967, 979 (Fed. Cir. 2010).

The Eastern District of Texas has on occasion used the easier standard to find an intent to deceive. “On balance, Defendants have made a sufficient showing of intent to deceive the USPTO for the Court to find inequitable conduct.” *Ring Plus, Inc. v. Cingular Wireless Corp.*, 637 F. Supp. 2d 423 (E.D. Tex. 2009) (opinion by Judge David Folsom) (quoting *Semiconductor Energy Lab. Co., Ltd. v. Samsung Elecs. Co., Ltd.*, 204 F.3d 1368, 1375 (Fed. Cir. 2000) (“Proof of high materiality and that the applicant knew or should have known of that materiality makes it difficult to show good faith to overcome an inference of intent to mislead.”)).¹

Regardless of which burden a defendant must bear to meet the clear and convincing standard, certain other general principles also apply. “[T]he more material the conduct, the less evidence of intent will be required in order to find that inequitable conduct has occurred.” *PerSeptive Biosystems, Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315, 1319 (Fed. Cir. 2000).

¹ Mr. Gordon has testified previously in the Eastern District on the general subject matter of inequitable conduct, specifically on “intent-to-deceive”. *TiVo, Inc. v. EchoStar Communications Corporation, EchoStar DBS Corporation, EchoStar Technologies Corporation, and Echosphere Limited Liability Company*, Case No. 2-04CV-01 DF, In the United States District Court, Eastern District of Texas, Marshall Division. Defendants’ Joint Response To Key’s Motion To Exclude Alan Gordon’s Expert Report

“It is the totality of the applicant's conduct that creates the inference upon which the applicant's intent can be ascertained.” *Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1330 (Fed. Cir. 1998). See also *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257 (Fed.Cir.1997) (“a patentee facing a high level of materiality and clear proof that it knew or should have known of that materiality, can expect to find it difficult to establish ‘subjective good faith’ sufficient to prevent the drawing of an inference of intent to mislead.”), and *Ferring B.V. and Aventis Pharmaceuticals, Inc., v. Barr Laboratories, Inc.*, 437 F.3d 1181, 1191 (Fed. Cir. 2006) (“Summary judgment is appropriate on the issue of intent if there has been a failure to supply highly material information and if the summary judgment record establishes that (1) the applicant knew of the information; (2) the applicant 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 a case with similar facts to the present case (nondisclosure of three items of information during prosecution of a patent in a setting where the applicant had co-pending applications), the Federal Circuit affirmed a finding of deceptive intent, and thus inequitable conduct. *McKesson Info. Solutions, Inc. v. Bridge Medical, Inc.*, 487 F.3d 897, 905 (Fed. Cir. 2007) (“And, although Schumann disclosed the existence of the co-pending '149 application to Examiner Trafton on or about August 12, 1986, J.A. at 339, Schumann did not bring Examiner Lev's rejection of application claims 15 and 16 to Examiner Trafton's attention.”).

The Law Of Expert Witnesses

“Rule 702 of the Federal Rules of Evidence allows for the testimony of an expert witness if: (1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case.” *MicroStrategy Inc. v. Business Objects, S.A.*, 429 F.3d 1344, 1356 (Fed. Cir. 2005). The Rule 702 inquiry is “a flexible one,” *Daubert v. Merrell Dow Pharms.*, 509 U.S. 579, 594, 113 S. Ct. 2786, 125 L. Ed. 2d 469 (1993), left to the sound discretion of the trial court. See *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1360 (Fed. Cir. 2008) (quoting *Acoustical Design, Inc. v. Control Elecs. Co.*, 932 F.2d 939, 942 (Fed. Cir. 1991)).

Since *Kingsdown Medical Consultants, Inc. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988), the Federal Circuit has made it clear that inequitable conduct is an equitable matter that is committed to the discretion of the trial court, and reviewable on appeal for abuse of discretion. See *Sundance, Inc. v. Demonte Fabricating Ltd.*, 550 F.3d 1356 (Fed. Cir. 2008) (holding that it is “an abuse of discretion to permit a witness to testify as an expert on the issues of noninfringement or invalidity unless that witness is qualified as an expert in the pertinent art”, but also stating in footnote 5 that “patent lawyers might offer testimony in contexts other than noninfringement and invalidity, such as patent office practice and procedure”); *Hebert v. Lisle Corp.*, 99 F.3d 1109, 1114 (Fed. Cir. 1996); and *Baxter Healthcare v. Spectramed, Inc.*, 49 F.3d 1575, 1584 (Fed. Cir. 1995). Certainly, a patent lawyer may testify in a patent suit. *Endress + Hauser, Inc., v. Hawk Measurement Sys. Pty, Ltd.*, 122 F.3d 1040, 1042 (Fed. Cir. 1997).

Mr. Gordon’s testimony regarding amendments that the prosecuting attorneys

made to the '920 application's claims, PTO office actions during prosecution of the '920 and related applications, and the references included in and omitted from the '920 application will of course be based on the documented prosecution history of the '920 application, and the related applications, which have been made available to the plaintiffs, and will be made available to the Court. Similarly, Mr. Gordon's analysis of the withholding of documents in the '920 application that Key disclosed to the USPTO in closely-related applications is based on his review of the file histories of those applications, long in the possession of the plaintiffs and which will be provided to the Court. Therefore Mr. Gordon's testimony on the patent prosecution histories of the '920 patent as well as the co-pending applications is sufficiently well founded to be presented at trial. See *Bone Care Int'l LLC v. Pentech Pharms., Inc.*, 2010 U.S. Dist. LEXIS 105118, 36-37 (N.D. Ill. Oct. 1, 2010).

Mr. Gordon's Report Should Not Be Excluded.

Key mischaracterized Mr. Gordon's report as opining on (1) intent, (2) "the ultimate conclusion of law", (3) how the USPTO might have acted, and (4) materiality. Key then presented case law opposing each of those "straw men" that it had created.

Mr. Gordon's report is consistent with the Federal Rules of Evidence. An examination of just three of his paragraphs in the "Summary Of Opinions" section of his report (pages 2-5 of his report) demonstrates this. In these three paragraphs, reproduced below, he sets forth (1) the identification of departures from the practices, procedures, and standards embedded in Rule 56 on disclosure of material information, and (2) an identification of facts and frustrated expectations, from which an inference of

intent to deceive is supported:

8. I have considered whether there appear to be any explanations for the misstatements made to the USPTO, partial and misleading disclosures of prior art and other information, and repeated failures by the Rule 56 persons involved in the prosecution of the '920 patent to disclose highly material information. As will be set forth in greater detail below, the prosecution of the '920 patent inappropriately deviated from acceptable USPTO patent prosecution practices, procedures, and standards during prosecution. I find it significant that, despite no less than 4 individuals having information relevant to the '920 patent, and in the face of evidence that Key pursued patents on subject matter that was anticipated by known undisclosed prior art (including prior art that is inconsistent with representations made to the USPTO), Key has failed to come forward with any explanations for this systematic, repeated, and consistent failure to disclose its known, material information during the prosecution of the '920 patent. These failures occurred repeatedly in this record, over many months of prosecution, and despite the disclosure to the USPTO of prior art that was less material to patentability than the information that was not disclosed. This was not a "one-time" failure to disclose an important reference. I acknowledge that sometimes mistakes occur in the prosecution of a patent. Oversights occur, sometimes due to negligence or recklessness, but on this record, there is no such explanation for the repeated, systematic failure to disclose material information – some of which was contemporaneously identified by the USPTO in other patent prosecutions – of which the Rule 56 persons were aware. It is implausible that so many people – including inventors and prosecuting counsel – could have so many lapses on so many occasions during the many months of simultaneous prosecution of the application for the '920 patent and Key's co-pending patent applications. The only inference that can be drawn from this failure to provide any explanations for these acts of misrepresentation and concealment of information known to Rule 56 persons is that Rule 56 persons intended to deceive the USPTO during prosecution of the '920 patent. That the prior art is inconsistent with the claims propounded and representations made during the prosecution of the '920 patent still yet further evidences the intent of the Rule 56 persons to deceive the USPTO.

9. I have carefully considered whether the numerous misrepresentations and failures to disclose material prior art could have been the result of innocent mistakes, negligence, or even gross negligence. It is implausible that all of the individuals involved in the prosecution of the '920 patent innocently or negligently made the same mistakes of forgetting to disclose, or not accurately describing, the same material information each time there was a communication with the USPTO – particularly in respect of their contemporaneous knowledge of this information. It is also implausible that these individuals, innocently or negligently,

propounded the claims or made statements during prosecution of the '920 patent that are inconsistent with the information known to them. These repeated failures can only be the result of an intentional scheme to conceal this material prior art and other information from the USPTO.

10. The Rule 56 persons not only intended to deceive the USPTO, but actually succeeded in deceiving the USPTO. For the reasons set forth in this report, as informed by the analysis of materiality set forth in Defendants' technical expert report of Keith Womer, the '920 patent would likely not have issued but for this deception.

Mr. Gordon's Statements Of An Inference Of Intent Are Properly Based On A Review Of All Of The Actions Of Key's Rule 56 Persons.

Mr. Gordon first set out the Federal Circuit law regarding an inference of intent to deceive in his paragraphs 44 and 45:

"44. An inference of intent may arise where material false statements are proffered to the USPTO. See, e.g., *Impax Labs., Inc. v. Aventis Pharms. Inc.*, 468 F.3d 1366, 1375 (Fed. Cir. 2006), *Cargill, Inc. v. Canbra Foods, Ltd.*, 476 F.3d 1359, 1366 (Fed. Cir. 2007). It is known by patent practitioners that the affirmative acts of submitting claim amendments and arguments are intended to be relied upon by the examiner. An inference of intent to mislead arises not simply from the materiality of the withheld information, but also from the affirmative acts of submitting misstatements and misrepresentations. This is particularly the case where their misleading character is not discoverable by the examiner. Here the applicant must be charged with knowledge of the inability of the examiner to discover the material information known to the applicant. The submission of the misleading claim amendments and arguments supports the conclusion that the withheld Key prior art and other information was the chosen instrument of an intentional scheme to deceive the USPTO."

"45. Intent to deceive is determined in light of the realities of practice before the USPTO. Rarely is there a confession or "smoking gun" to establish culpable intent. See, e.g., *Dippin. Dots, Inc. v. Mosey*, 476 F.3d 1337, 1345 (Fed. Cir. 2007). Therefore, intent is typically proved inferentially from facts, with the collection of inferences permitting a confident judgment that deceit has occurred. Intent may be proven by showing acts the natural consequences of which are presumably intended by the actor. Here, the applicant's intimate familiarity with, and attorney knowledge of, the withheld Key prior art and other information, the applicant's degree of involvement in the prosecution of the applications, the

repeated reminders of the existence of the withheld information, the repeated opportunities to disclose the withheld information, the knowledge of the Rule 56 persons in respect of USPTO practices, procedures, and standards, the direct inconsistencies of the patentability arguments, and the high materiality of the undisclosed information support an inference of intent to deceive. As noted above, there are yet other factors that further support the inference.”

After reviewing all the actions of the Rule 56 persons, he set forth in detail, in his paragraphs 162-192, the conduct that supports an inference of an intent to deceive.

Mr. Gordon’s Report Focused On A Careful Review Of The Actions Of Key’s Rule 56 Persons, Allowing Them Every Possible Excuse.

Mr. Gordon carefully followed the toughest current standard set forth by the Federal Circuit for concluding that there was inequitable conduct. As is acknowledged by the pending *en banc* review of the *Therasense* case, as noted above, there are presently two acknowledged standards in Federal Circuit precedent for finding inequitable conduct. *Therasense, Inc. v. Becton, Dickinson & Co.*, 593 F.3d 1289, 1300 (Fed. Cir. 2010).

Mr. Gordon’s report conforms to the tougher standard for finding an intent to deceive, used in these cases: *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008); and *Advanced Magnetic Closures, Inc. v. Rome Fastener Corporation*, 607 F.3d 817, 830 (Fed. Cir. 2010) (“we find it difficult to fault a district court in finding that ‘the single most reasonable inference able to be drawn from the evidence’ is that Mr. Bauer intended to deceive the PTO.”). At the end of his paragraph 43 Mr. Gordon states: “Deceptive intent drawn from indirect evidence must be the single most reasonable inference able to be drawn from the evidence.

Inferences from less than clear and convincing evidence cannot satisfy the deceptive intent requirement.”

In his paragraphs 162-192, Mr. Gordon carefully lays out the evidence, and then explains how the actions taken by the Rule 56 persons support an intent to deceive the PTO. Only once in a summary fashion, and as a mere overview (his paragraph 48), does he conclude that the Rule 56 persons committed inequitable conduct.

Mr. Gordon’s Report, Regarding What A Reasonable Examiner Would Expect, Is Proper And Helpful.

Mr. Gordon’s report, and his testimony, will be helpful to this Court. Whether information is material turns on an analysis of whether there is a substantial likelihood that an objectively reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent. See *Jeneric/Pentron, Inc. v. Dillon Co.*, 171 F. Supp. 2d 49, 79 (D. Conn. 2001). “If [the expert] can shed light on what a reasonable examiner would have considered important, his testimony is admissible.” *Se-Kure Controls, Inc.*, 2008 U.S. Dist. LEXIS 3993, 2008 WL 169054, at *3. Mr. Gordon’s report is helpful because it sets forth the practices, procedures and standards that govern how patent practitioners generally interact with the patent office, and reveals how Key’s conduct departed from the ordinary, or was contrary to the expectations of a reasonable patent examiner. Mr. Gordon’s report also explains the patenting process, including various important facets of it:

“16. ... The examiner must therefore rely on the applicant for disclosure of these and other items to conduct a full examination for patentability, particularly since the patent application process is an *ex parte* proceeding, as noted above. See 35 U.S.C. §122. Because of this *ex parte* nature, patent applicants have a duty to

prosecute applications with candor, good faith and honesty. Furthermore, even some publicly available sources of prior art or other information may be difficult for the examiner to locate independently. For example, evidence of commercial activity may be difficult for an examiner to locate.”

“118. By not being disclosed through an IDS or by any other proper procedure, the claims and rejections in the Hood-Lowe application were never able to be considered by the examiner during the prosecution of the application for the ‘920 patent.”

“119. By not being disclosed through an IDS, or by any other proper procedure, the U.S. Pat. No. 6,581,686 to Armatage, cited by the examiner in the Hood-Lowe application, was never considered by the examiner handling the prosecution of the application for the ‘920 patent.”

“120. By not being disclosed through an IDS, or by any other proper procedure, the U.S. Pat. No. 5,432,709 to Vollweiler, cited by Mr. Steinheider in a supplemental IDS during prosecution of the Hood-Lowe application, was never able to be considered by the examiner handling the prosecution of the application for the ‘920 patent.”

“121. By not being disclosed through an IDS, or by any other proper procedure, the U.S. Pat. No. 5,237,539 to Selman, cited by the applicant and applied in a rejection by the examiner in the ‘490 patent prosecution, was never able to be considered by the examiner during the prosecution of the application for the ‘920 patent.”

“122. By not being disclosed through an IDS, or by any other proper procedure, the claims and rejections in the application for the ‘677 patent were never able to be considered by the examiner during the prosecution of the application for the ‘920 patent.”

Such testimony is helpful to the trier of fact. *Holmes Group, Inc. v. RPS Prods.*, 2010 U.S. Dist. LEXIS 102727, 15-16 (D. Mass. June 25, 2010). See *Bausch & Lomb, Inc. v. Alcon Laboratories, Inc.*, 79 F.Supp.2d 252, 255 (W.D.N.Y. 2000) (finding that testimony concerning general patent application procedures may be helpful to the jury); and *Armament Sys. & Procedures, Inc. v. IQ Hong Kong Ltd., et al.*, No 00-1257, 2007 U.S. Dist. LEXIS 31306, 2007 WL 1267877 (E.D. Wis.) (holding that the motion to exclude the expert's testimony was denied).

Mr. Gordon's Reliance On The Expert Testimony Of Keith Womer Is Proper.

Mr. Gordon may rely on a technical expert's report:

"[T]he Federal Rules of Evidence establish that an expert need not have obtained the basis for his opinion from personal perception. [] Likewise, numerous courts have held that reliance on scientific test results prepared by others may constitute the type of evidence that is reasonably relied upon by experts for purposes of Rule of Evidence 703. [] "Unlike an ordinary witness, see Rule 701, an expert is permitted wide latitude to offer opinions, including those that are not based on first hand knowledge." *Daubert v. Merrell Dow Pharms.*, 509 U.S. 579, 592, 113 S. Ct. 2786, 125 L. Ed. 2d 469 (1993). ... Rule 703 expressly authorizes the admission of expert opinion that is based on "facts or data" that themselves are inadmissible, as long as the evidence relied upon is "of a type reasonably relied upon by experts in the particular field in forming opinions." Fed. R. Evid. 703."

Monsanto Co. v. David, 516 F.3d 1009, 1015-1016 (Fed. Cir. 2008) (citations omitted)

(allowing reliance by one expert on the report of another expert).

As Mr. Gordon makes clear in his report, he relies upon the technical expertise of defendants' invalidity expert, Mr. Womer, to confirm the materiality of the information that Key withheld from the PTO during the prosecution of the '920 Patent. Having relied on Mr. Womer's technical expertise to explain the materiality of the information in respect of the invention claimed in the '920 patent, Mr. Gordon is then in a position to testify about whether the patent examiner would have found the omitted information to have been important. Moreover coupling the technical expertise of Mr. Womer with his own opinion that the examiner likewise would have found the information material to the prosecution of the '920 Patent, Mr. Gordon documents his report to show the bases for his expert opinion that the single most reasonable inference to be drawn from Key's conduct is that Key intended to deceive the patent office.

Conclusion

Because Mr. Gordon's report carefully stays within the proper boundaries of both the substantive law of inequitable conduct, and the proper use of expert witnesses, the defendants respectfully urge the Court to (1) deny Key's motion to exclude Mr. Gordon's report, and (2) allow Mr. Gordon to testify at trial.

Respectfully submitted,

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/s/ Heather Hoopingarner Thiel

Heather Hoopingarner Thiel
State Bar No. 24046104
Law Offices of Tim Headley
7941 Katy Fwy., Suite 506
Houston, Texas 77024-1924
Phone: 713 467 8502
Fax: 713 467 8501
hoopinthiel@gmail.com

Tim Headley
State Bar No. 09325210
Law Offices of Tim Headley
7941 Katy Fwy., Suite 506
Houston, Texas 77024-1924
Phone: 713 467 8500
Fax: 713 467 8501
Tim.Headley@HeadleyIPLaw.com

**ATTORNEYS FOR DEFENDANT
PETRON, INC.**

Steven N. Williams,
Attorney-In-Charge
**KENNEDY CLARK &
WILLIAMS, P.C.**

Texas Bar No. 21577625
swilliams@kcwfir.com
1700 Pacific Ave., Suite 1280
Dallas, Texas 75201
(214) 979-1122 office
(214) 979-1123 fax

Damon Young
YOUNG PICKETT
Texas Bar No. 22176700
dyoung@youngpickettllaw.com
4122 Texas Boulevard
Texarkana, Texas 75504
(903) 794-1303 office
(903) 792-5098 fax

J. Rodney Gilstrap
SMITH & GILSTRAP
P.O. Drawer A
Marshall, TX 75671
Texas Bar No. 07964200
gilstrap1957@yahoo.com
(903) 938-8321 office
(903) 938-8331 fax

**ATTORNEYS FOR DEFENDANT
C.C. FORBES, LLC**

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I certify that on March 31, 2011, the foregoing document is being emailed to all counsel of record.

/s/ Heather Hoopingarner Thiel
Heather Hoopingarner Thiel