By: Thomas McKiernan and Michael Badagliacca

Dickson Industries, Inc. v. Patent Enforcement Team, L.L.C.

Decided May 20, 2009

Federal Circuit Vacates Finding of Inequitable Conduct

The Federal Circuit vacated a finding of inequitable conduct by the U.S. District Court for the Western District of Oklahoma.

Patent Enforcement Team (PET) knew about and failed to disclose a reference during reexamination. Before the District Court, Dickson filed a Motion to Leave to File Second Amended Complaint, in order to add an allegation that PET's patent was unenforceable due to inequitable conduct. The District Court denied Dickson's motion. PET filed a Motion for Partial Summary Judgement on Validity, and Dickson responded by arguing that the underlying patent was unenforceable due to inequitable conduct during reexamination. PET filed a motion *in limine* to exclude evidence related to inequitable conduct. Based on the denial of Dickson's motion, PET concluded inequitable conduct would not be an issue, and PET argued that it was not prepared to try the issue of inequitable conduct. The District Court denied the motion *in limine* and found inequitable conduct by PET.

The Federal Circuit vacated the finding of inequitable conduct by the District Court. The Federal Circuit reasoned that the inconsistent orders by the District Court denied PET the opportunity to adequately defend against inequitable conduct at trial. PET was prejudiced because it did not get a chance to offer good faith evidence to combat the conclusion that PET intended to deceive the U.S. Patent and Trademark Office (USPTO). The Federal Circuit stressed that lower district courts need to exercise necessary caution to ensure that a patent owner meets its burden of proof with respect to proving inequitable conduct.

Practice Tip: Rule 37 C.F.R. § 1.156 (Rule 56) states that a duty of candor and good faith is owed to the USPTO, not only by patent attorneys, but also the inventor and any agent who prepares or prosecutes the patent application. All have a duty to disclose to the USPTO information which is “material” to patentability. If this rule is not followed, it can result in a patent being held unenforceable and potentially having to pay the other side’s attorney fees during litigation.