

17 December 2003



TECHNOLOGY LAW UPDATE

A report of the latest Federal Circuit updates brought to you by Preston Gates.

Ulead Sys., Inc. v. Lex Computer & Mgmt. Corp.

Nos. 01-1320 et al. (Fed. Cir. Dec. 9, 2003).

“[W]e see no reason why the doctrine [of unenforceability] should not extend into other contexts, like the present one, where the allegation is that inequitable conduct has occurred after the patent has issued and during the course of establishing and paying the appropriate maintenance fee.”

On December 9, 2003, the Federal Circuit, *inter alia*, vacated and remanded the district court’s summary judgment that U.S. Patent No. 4,538,188, which related to an apparatus and method for dynamically composing stored source material for producing a composition sequence, is unenforceable. The Federal Circuit stated:

[I]nequitable conduct rendering a patent unenforceable arises when there is “evidence of affirmative misrepresentation of a material fact, failure to disclose material information, or submission of false material information, coupled with an intent to deceive.” . . . Historically issues of unenforceability have arisen in cases involving inequitable conduct occurring in the prosecution of patents. But, we see no reason why the doctrine should not extend into other contexts, like the present one, where the allegation is that inequitable conduct has occurred after the patent has issued and during the course of establishing and paying the appropriate maintenance fee. In this context, it is equally important that the PTO receive accurate information from those who practice before it. . . .

There is no serious question here as to materiality, as the district court found. . . . Lex challenges Ulead’s argument that the false declaration of small entity status was material, arguing that Lex’s misrepresentation had “no bearing on patentability.” While Lex is correct that the affidavit did not induce issuance of the patent, the misrepresentation that Lex qualified as a small entity was material to the PTO’s acceptance of reduced maintenance fees, and thus, survival of the patent. As such, at least a threshold level of materiality has been established as a matter of law.

There are, however, genuine issues of material fact as to intent. “To satisfy the intent to deceive element of inequitable conduct, ‘the involved conduct, viewed in light of all the evidence, including evidence of good faith, must indicate sufficient culpability to require a finding of intent to deceive.’” Direct evidence of deceptive intent is not required; rather it is usually inferred from the patentee’s overall conduct. Although inequitable conduct is a matter for the court, rather than the jury to resolve, summary judgment is inappropriate if there are genuine issues of material fact.

Lex admits that it was not entitled to small entity status when it filed its affidavit of small entity status and paid reduced fees in 1993 and 1997. But, it claims that these were innocent errors and that it was grossly negligent at worst, and that it did not have an intent to deceive. . . . Lex cites the deposition of its president, Mr. Haberman, who testified that he was unaware that Lex was not a small entity when he signed the 1993 verified statement claiming small entity status (the “1993 declaration”). Lex also refers to the declaration of its patent counsel, Mr. Weiner, who stated that although he was aware of the PTO rule in question, he was unaware of the existence of the licenses that caused the loss of small entity status. Ulead argues that Lex remained intentionally ignorant of the law and that Lex’s false statements to the PTO support an inference of intent to deceive. The district court agreed with Ulead; it rejected the testimony offered by Lex as “self-serving and inconsistent with the documentary evidence,” and it found that the circumstantial evidence was sufficient to establish intent on summary judgment. We conclude that the evidence before the district court raises genuine issues on the question of intent.