

Nilssen v. Osram Sylvania, Inc.

No. 06-1550, Federal Circuit (Mayer, Lourie,* Linares)

[A] district court [may] hold a patent unenforceable for inequitable conduct in misrepresenting one's status as justifying small entity maintenance payments.

On October 10, 2007, the Federal Circuit affirmed the district court's judgment that U.S. Patents No. 4,857,806, No. 5,164,637, No. 5,233,270, No. 5,343,123, No. 5,402,043, No. 5,416,386, No. 5,432,409, No. 5,479,074, No. 5,481,160, No. 5,510,680, No. 5,510,681, No. 4,677,345, No. 5,047,690, No. 5,189,342, and No. 5,341,067, which related to compact fluorescent light bulbs and ballasts, were unenforceable for inequitable conduct. The Federal Circuit stated:

Certain entities, including "independent inventors," are entitled to pay reduced patent maintenance fees The clear import of the PTO regulation benefiting small entities is to ensure that inventors currently receiving a revenue stream from or reasonably expected to receive a revenue stream from an entity that is not itself entitled to pay small entity fees should not be able to claim that right. . . . While a misrepresentation of small entity status is not strictly speaking inequitable conduct in the prosecution of a patent, as the patent has already issued if maintenance fees are payable (excepting an issue fee), it is not beyond the authority of a district court to hold a patent unenforceable for inequitable conduct in misrepresenting one's status as justifying small entity maintenance payments. . . . The PTO relies on applicants to accurately represent their fee status, and it is for a fact-finder to evaluate whether any intentional misrepresentations occur in doing so. . . . We therefore affirm the district court's decision finding that all of the patents in suit are unenforceable due to inequitable conduct in improperly claiming small entity status.

[T]he district court's conclusion that the claims to priority in the '637, '043, '386, '409, '160, '680, and '681 patents constituted inequitable conduct was not an abuse of discretion. . . . A claim for priority is inherently material to patentability because a priority date may determine validity, whether an issue arises in prosecution or later in court challenges to validity. While an active misrepresentation made during prosecution in order to avoid prior art is no doubt "highly material," a misrepresentation that would not have immediately affected patentability is still material. . . . We therefore affirm the district court's conclusion that the '637, '043, '386, '409, '160, '680, and '681 patents are unenforceable for inequitable conduct in misclaiming priority.

[T]he district court did not abuse its discretion in holding eight patents unenforceable for inequitable conduct based upon Nilssen's failure to disclose the Motorola litigation. [T]he existence of the litigation itself is material information that an examiner needs to have . . . because it signals the examiner

that other material information relevant to patentability may become available through the litigation proceedings. The PTO obviously considers such information material and there is no basis for us to conclude otherwise. We therefore affirm the district court's holding that the '123, '043, '386, '409, '074, '160, '680, and '681 patents are unenforceable for inequitable conduct in failing to disclose the Motorola litigation. . . .

A few closing comments are in order. Each of the issues on which the district court found inequitable conduct generated defenses by Nilssen that were not per se unreasonable when considered in isolation. The CFLA was not beyond an interpretation contrary to what the district court adopted. Nilssen did pay some fees that were large entity fees. Failure to cite the Motorola litigation to the PTO may have been an oversight, as perhaps failure to cite prior art might have been. Perhaps Nilssen did not expressly assert an unjustified earlier priority date to obviate prior art.

However, this case presents a collection of such problems, which the district court evaluated thoroughly and considered, including making credibility findings, and it concluded that the record and testimony indicated repeated attempts to avoid playing fair and square with the patent system. Mistakes do happen, but inadvertence can carry an applicant only so far. Thus, we cannot find that the court's holding of unenforceability was an abuse of discretion. Perhaps some of the errors were attributable to Mr. Nilssen's representing himself during the prosecution of his patents. It surely was true that he knew more about the subject matter of his inventions than most, or even any, attorney. That is almost always the case with an invention, particularly one dealing with complex subject matter. However, the patent process is a complicated one, one that requires both technical and legal credentials in order to effectively prosecute patents for inventors. The same credentials are generally required to prosecute patents on one's own inventions. Mr. Nilssen, while apparently gaining considerable knowledge of the patenting process, thought he didn't need professional patent help. The result of this case, regrettably, proves that he was wrong.

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