

# LESSONS FOR AVOIDING INEQUITABLE CONDUCT AND PROSECUTION LACHES IN PATENT PROSECUTION AND LITIGATION

ROBERT A. MIGLIORINI\*

## PART ONE: INEQUITABLE CONDUCT

### I. INTRODUCTION

A patent attorney is in the unique position of being both an attorney and a patent prosecutor. The patent attorney is subject to both a duty of confidentiality to his client as part of the client representation process, as well as a duty of candor and good faith before the United States Patent and Trademark Office (hereinafter "PTO") as part of the patent prosecution process.<sup>1</sup> Intentionally withholding or misrepresenting material information to patentability from the PTO will result in a breach of the duty of candor, good faith, the duty of disclosure, and constitutes inequitable conduct. This section of the article will review the doctrine of inequitable conduct in patent preparation and prosecution, the potential effects of a charge of inequitable conduct, and suggestions for patent attorneys in avoiding inequitable conduct.

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\* Attorney, Exxon Mobil Corporation, Annandale, NJ ([www.exxonmobil.com](http://www.exxonmobil.com)); LL.M., Intellectual Property, Franklin Pierce Law Center (2005); J.D., Quinnipiac University (2004); M.S. Materials Engineering, Rochester Institute of Technology (1991); MBA, Rochester Institute of Technology (1989); B.S.Ch.E., Tufts University (1984). Admitted to practice before CT, NY, NJ, and USPTO. The views expressed herein are solely those of the author. Copyright 2005 Exxon Mobil Corporation.

<sup>1</sup> Alan H. MacPherson et al., *Ethics in Patent Practice (A Brief Visit to Several Areas of Concern)*, 574 PLI/PAT 657, 660, 695 (1999).

## II. BACKGROUND

### A. Historical Evolution

The doctrine of inequitable conduct evolved from what used to be referred to as fraudulent misconduct in reviewing the patent applicant's dealings with the PTO. Inequitable conduct is broader than fraudulent misconduct and encompasses not only technical fraud, but also a wider range of conduct sufficient to justify holding a patent unenforceable.<sup>2</sup> The equitable defense to patent infringement was initially set out in 1945 by the Supreme Court in *Precision Instrument Manufacturing v. Automotive Maintenance Machine Co.*<sup>3</sup> The Court in finding the appeals court erred in reversing the judgment of the district court finding that the three patents at issue were unenforceable due to inequitable conduct on the part of the plaintiff.<sup>4</sup> The Court stated that:

[t]hose who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue. This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice."<sup>5</sup>

The Court reasoned that public interest demands that all facts relevant to patent applications be submitted to the PTO, such that the PTO can act to safeguard the public against deception and fraudulent patent monopolies.<sup>6</sup>

35 U.S.C. § 282 of the 1952 Patent Act codified unenforceability as a defense to patent infringement.<sup>7</sup> Unenforceability includes the defense that the patent was obtained through inequitable conduct.<sup>8</sup> The Court of Appeals for the Federal Circuit (hereinafter "CAFC") has expressed a clear preference for the term "inequitable conduct" to identify a breach of the duty of candor and good faith to the PTO and distinguishes it from the more severe charge of "common law fraud," which can lead to antitrust damages under the Walker Process rationale.<sup>9</sup> "Inequitable conduct includes [any] affirmative misrepresentation of a

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<sup>2</sup> *Norton v. Curtiss*, 433 F.2d 779, 793 (C.C.P.A. 1970).

<sup>3</sup> 324 U.S. 806, 819 (1945).

<sup>4</sup> *Id.* at 820.

<sup>5</sup> *Id.* at 818.

<sup>6</sup> *Id.*

<sup>7</sup> 35 U.S.C. § 282 (2000).

<sup>8</sup> *J.P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1560 (Fed. Cir. 1984).

<sup>9</sup> *Walker Process Equip., Inc. v. Food Mach. and Chem. Corp.*, 382 U.S. 172, 178-79 (1965).

material fact, failure to disclose material information, or submission of false material information, coupled with intent to deceive."<sup>10</sup>

### ***B. Duty of Candor and Good Faith***

Under 37 C.F.R. §1.56 (hereinafter “Rule 56”), the duty of candor and good faith in dealing with the PTO includes a duty to disclose to the PTO all information material to patentability and that is known to the attorney or the patent applicants.<sup>11</sup> Information is material to patentability when it is not cumulative to information already of record, and it establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim.<sup>12</sup> Alternatively, information is material when it refutes, or is inconsistent with a position taken by the applicant in opposing an argument of unpatentability relied on by the PTO or asserting an argument of patentability.<sup>13</sup> This duty of candor and good faith rests on the inventor, on the attorney who prepares and prosecutes the application, and on every other individual who is substantively involved in the preparation or prosecution of the patent application.<sup>14</sup>

### ***C. Elements***

A determination of inequitable conduct requires a two-step analysis.<sup>15</sup> First, the federal district court must determine whether the conduct of the patent applicant and/or his attorney satisfies a threshold level of materiality.<sup>16</sup> If the first step is satisfied, the court must then determine whether the evidence is sufficient to prove a threshold level of intent to deceive the PTO by either the patent applicant or his attorney.<sup>17</sup> Each of these two elements will be examined in detail below.

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<sup>10</sup> *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995).

<sup>11</sup> 37 C.F.R. § 1.56(a) (2005).

<sup>12</sup> *Id.* at § 1.56(b).

<sup>13</sup> *Id.* at § 1.56(b)(2).

<sup>14</sup> *Id.* at § 1.56(a).

<sup>15</sup> *PerSeptive Biosystems, Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315, 1318 (Fed. Cir. 2000).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* at 1319.

### D. Materiality

The CAFC has declared Rule 56 as the starting point for defining materiality.<sup>18</sup> Under the 1989 version of Rule 56, information was material if there was a substantial likelihood that a "reasonable patent examiner" would have considered it important in deciding whether to allow the patent application to issue as a patent.<sup>19</sup> In 1992, Rule 56 was modified to provide that information is material if "(1) [i]t establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or (2) [i]t refutes, or is inconsistent with, a position the applicant takes in: (i) Opposing an argument of unpatentability relied on by the Office; or (ii) Asserting an argument of patentability."<sup>20</sup> The new 1992 version of Rule 56 was enacted "to present a clearer and more objective definition of what information the [PTO] considers material to patentability" because "the rules do not define . . . inequitable conduct[,] which [has the] elements both of materiality and of intent."<sup>21</sup> In comparing the old version and new version of Rule 56, the CAFC stated that the new version more narrowly defines materiality in comparison to the previous "reasonable examiner" standard of materiality because it provides for disclosure where the information establishes either a prima facie case of unpatentability or refutes or is inconsistent with a position that the applicant takes.<sup>22</sup> The PTO has, however, noted that under the new version of Rule 56, there is a duty of candor and good faith that is broader than the duty to merely disclose material information.<sup>23</sup> Both versions of Rule 56 have a safe harbor provision for information withheld from the PTO that is cumulative to information already of record or that will be made of record.<sup>24</sup>

A key issue in a patent infringement suit where the defense is based upon inequitable conduct lies in what version of Rule 56 the district court should apply in defining the materiality element. The CAFC grappled with this issue in *Dayco Products, Inc. v. Total Containment, Inc.*, as well as the issue of a patentee not disclosing to the PTO the copendency of a related application during prosecution of the patents-in-suit.<sup>25</sup> In *Dayco*, the two patents at issue

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<sup>18</sup> *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1440 (Fed. Cir. 1991).

<sup>19</sup> *Id.*

<sup>20</sup> 37 C.F.R. at § 1.56(b).

<sup>21</sup> 57 Fed. Reg. 2021, 2024 (Jan. 17, 1992).

<sup>22</sup> *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1363-64 (Fed. Cir. 2003).

<sup>23</sup> 57 Fed. Reg. at 2025.

<sup>24</sup> 37 CFR 1.56(b).

<sup>25</sup> 329 F.3d at 1364-65.

were allowed from two continuation applications claiming priority from a parent application that was abandoned during prosecution.<sup>26</sup> Two different examiners were responsible for the examination of both the continuation applications and the parent application.<sup>27</sup> While the examiner of the parent application was aware of the two continuation applications, the examiner of the two continuation applications had no knowledge of the parent application.<sup>28</sup> Further, the claims in the continuation applications were very similar to the claims of the parent application, which the examiner had rejected as being obvious over two prior art references.<sup>29</sup> The same patent attorney who prosecuted both the parent and continuation applications failed to inform the examiner of the continuation applications of the obviousness rejection and references cited for the rejection in the parent case.<sup>30</sup>

The CAFC held that the materiality element of inequitable conduct under both the pre-1992 and post-1992 materiality standard of Rule 56 is satisfied if the patent attorney prosecuting a continuation application fails to disclose the existence of a copending parent application being prosecuted with a different examiner when the claims of the parent application had been rejected relative to a particular prior art reference.<sup>31</sup> The Court also went on to state that it had “not decided whether the standard for materiality in inequitable conduct cases is governed by equitable principles or by the Patent Office's rules.”<sup>32</sup> The CAFC has applied the revised Rule 56 standard in recent cases, but has not stated that it will no longer apply the previous “reasonable examiner” standard. More particularly, the Court has not decided to apply the definition of materiality under the new version of Rule 56 for prosecutions occurring after the 1992 enactment of the revised rule. In *Dayco*, the three patents at issue were filed and prosecuted after the 1992 enactment of the new version of Rule 56.<sup>33</sup> In sum, the Court provided no explicit direction on which version of Rule 56 should apply, but it clearly does not intend to have its equity powers constrained by statutes and regulations.<sup>34</sup>

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<sup>26</sup> *Id.* at 1361.

<sup>27</sup> *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at 1361-62.

<sup>31</sup> *Id.* at 1368.

<sup>32</sup> *Id.* at 1364.

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

A seminal CAFC case on the issue of materiality is *Molins PLC v. Textron, Inc.*<sup>35</sup> This case illustrates the perils potentially faced by a patent attorney who does not comply with the duty of candor and good faith. Molins, a British company, filed U.S. and foreign patent applications for an automated machine tool.<sup>36</sup> During the foreign prosecution, Molins' patent attorney became aware of a materially related German patent issued to Wagenseil, but failed to disclose the reference to the PTO.<sup>37</sup> The German patent reference was so relevant to the invention that Molins abandoned all of the pending foreign patent applications with the exception of the U.S. application.<sup>38</sup> The U.S. patent application eventually issued and thereafter, Molins brought a patent infringement suit against several U.S. companies, including Textron.<sup>39</sup> In its defense, Textron introduced evidence that Molins' patent attorney in Britain knew of the Wagenseil patent reference, but had failed to disclose it to the PTO during prosecution.<sup>40</sup> The district court ruled that Molins' U.S. patent was unenforceable for inequitable conduct because the patent attorney failed to disclose the Wagenseil patent to the PTO with the intent to deceive.<sup>41</sup> Molins appealed the decision asserting that it did not intend to deceive the PTO as evidenced by disclosing the Wagenseil reference as part of a citation of prior art filed after the U.S. patent had issued.<sup>42</sup> The CAFC affirmed the lower court decision despite no direct evidence of the intent to deceive.<sup>43</sup> The CAFC inferred the requisite intent based on the attorney's knowledge of the Wagenseil reference from his work on the foreign cases during the pendency of the U.S. case and his deliberate decision not to disclose the reference to the PTO until after the patent had issued.<sup>44</sup>

Textron also alleged inequitable conduct based on Molins' U.S. patent attorney's failure to disclose to the PTO another patent application, which he was simultaneously prosecuting for a different client (Jerome Lemelson) in a highly related area of technology.<sup>45</sup> Under the Manual of Patent Examining Procedure (hereinafter "MPEP") Section 2001.06(b), patent attorneys prosecut-

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<sup>35</sup> 48 F.3d at 1185.

<sup>36</sup> *Id.* at 1175-76.

<sup>37</sup> *Id.* at 1176-77.

<sup>38</sup> *Id.* at 1177.

<sup>39</sup> *Id.*

<sup>40</sup> *Id.*

<sup>41</sup> *Id.* at 1179.

<sup>42</sup> *Id.* at 1183.

<sup>43</sup> *Id.* at 1181-82.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.* at 1184-85.

ing patent applications are required "to bring to the attention of the examiner . . . information within [their] knowledge as to other co-pending United States [patent] applications which are 'material to the examination' of the application in question."<sup>46</sup> The district court ruled that Molins' patent attorney's failure to disclose the copending Lemelson application constituted inequitable conduct because the Lemelson patent was material to the patentability of Molins' invention and should have been disclosed to the PTO under the attorney's duty of disclosure.<sup>47</sup> On appeal, the CAFC reversed the finding reasoning that the Lemelson patent application was not material to patentability because, unlike the Wagen-seil patent, it was cumulative to the prior art already made of record in the case.<sup>48</sup> The Court reasoned that "[a] reference that is cumulative to other references of record does not meet the threshold of materiality needed to prove inequitable conduct."<sup>49</sup>

### *E. Intent to Deceive*

The second element of inequitable conduct, intent to deceive, may be proven by either direct evidence or inferred from circumstantial evidence.<sup>50</sup> The threshold level of intent, however, cannot be presumed, regardless of the materiality of the omission or the misrepresentation.<sup>51</sup> A finding of inequitable conduct is precluded if the patent applicant did not know of the omission or the misrepresentation, did not know of its materiality, or it did not result from an intent to deceive the PTO.<sup>52</sup> Rarely is there direct evidence of intent to deceive on the part of the patent applicant or his attorney, hence a court must usually infer from the facts and circumstances whether there was intent to deceive the PTO.<sup>53</sup>

A seminal CAFC case on the issue of intent to deceive is *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*<sup>54</sup> Kingsdown sued Hollister for patent

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<sup>46</sup> *Id.* at 1185 (quoting Manual of Patent Examining Procedure, § 2001.06(b) [hereinafter MPEP] (U.S. Pat. & Trademark Off. 1981)).

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

<sup>50</sup> *Id.* at 1180-81.

<sup>51</sup> *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 552 (Fed. Cir. 1990).

<sup>52</sup> *Elk Corp. v. GAF Bldg. Materials Corp.*, 168 F.3d 28, 30 (Fed. Cir. 1999).

<sup>53</sup> *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997).

<sup>54</sup> 863 F.2d 867 (Fed. Cir. 1988).

infringement relative to their two-piece ostomy appliance designed for patients with an opening in their abdominal walls to release waste.<sup>55</sup> Some claims in the parent application were allowed after amendment, and others remained rejected.<sup>56</sup> In order to keep prosecuting the rejected claims, Kingsdown filed a continuation application with additional amendments to the rejected claims along with the allowed claims from the parent application.<sup>57</sup> In the continuation application, Kingsdown asserted that claim 43 corresponded to allowed claim 50 from the parent application.<sup>58</sup> However, due to an inadvertent error in copying claims from the parent application to the continuation application, unamended claim 50 from the parent application, which had been earlier rejected for indefiniteness, was filed in the continuation application.<sup>59</sup> The district court found that Claim 43 in the continuation application was allowed as the examiner did not reexamine it, but relied on the representation of the applicant that it was allowed in the parent and simply copied over to the continuation application.<sup>60</sup> Hollister identified the error and asserted a defense of inequitable conduct based on it.<sup>61</sup> The district court found that the misrepresentation was material because the claim was only allowable after the amendment, and that Kingdown's patent attorney was grossly negligent in not noticing the error, or alternatively, one could infer from Kingdown's conduct intent to deceive the PTO.<sup>62</sup> The court held the patent unenforceable for inequitable conduct.<sup>63</sup>

In an *en banc* decision, the CAFC reversed the finding of inequitable conduct because of insufficient proof of intent to deceive.<sup>64</sup> In view of the slight difference between the amended and the unamended claim, the Court stated that Kingsdown's failure to notice the mistake does not in itself warrant a finding of intent to deceive.<sup>65</sup> The CAFC reasoned that when there is a transfer of numerous claims from a parent application to a continuation application, there is susceptibility to errors, which comes most often from inattention to detail, and less

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<sup>55</sup> *Id.* at 869.

<sup>56</sup> *Id.* at 870.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

<sup>59</sup> *Id.* at 871.

<sup>60</sup> *Id.*

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> *Id.* at 869.

<sup>64</sup> *Id.* at 877.

<sup>65</sup> *Id.* at 873.



often due to scienter.<sup>66</sup> The court held that there was no intent to deceive the PTO based upon an error in substituting an unamended claim in a continuation application as opposed to an allowed and amended claim.<sup>67</sup> The Court went on to note that even a finding of particular conduct being grossly negligent does not necessarily create sufficient support for an inference of an intent to deceive the PTO.<sup>68</sup>

### **F. Balancing Materiality and Intent**

The burden of proof is on the party alleging a charge of inequitable conduct by the patentee, and the standard is that of clear and convincing evidence for both materiality and intent to deceive.<sup>69</sup> Materiality and intent to deceive are not questions of fact for the jury.<sup>70</sup> Because the question of intent is subjective and turns on the credibility of witnesses, it is less predictable than materiality, which tends to be more objectively based.<sup>71</sup> Courts must also consider evidence of good faith submitted by the patentee in evaluating inequitable conduct allegations.<sup>72</sup> Once threshold levels of both materiality and intent to deceive are satisfied, the court conducts a balancing test to determine whether a finding of inequitable conduct is justified.<sup>73</sup> A finding of whether inequitable conduct occurred is equitable in nature and reserved for the judge.<sup>74</sup> Generally, the proof required for the intent to deceive element of inequitable conduct decreases as the evidence supporting a finding of materiality increases.<sup>75</sup>

Some of the more common acts of non-disclosure and misrepresentation by patent applicants that have been found to constitute inequitable conduct are failing to disclose prior art, failing to disclose the best mode of the invention, misrepresenting test data, and failing to report public-use and on-sale bars to the

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<sup>66</sup> *Id.* at 875.

<sup>67</sup> *Id.*

<sup>68</sup> *Id.* at 876.

<sup>69</sup> *Molins*, 48 F.3d at 1178.

<sup>70</sup> *General Electro Music Corp. v. Samick Music Corp.*, 19 F.3d 1405, 1408 (Fed. Cir. 1994).

<sup>71</sup> *Id.*

<sup>72</sup> *Kingsdown Med. Consultants*, 863 F.2d at 876.

<sup>73</sup> *Molins*, 48 F.3d at 1178.

<sup>74</sup> *General Electro Music Corp.*, 19 F.3d at 1408.

<sup>75</sup> *See Boehringer Ingelheim Vetmedica, Inc. v. Schering-Plough Corp.*, 106 F. Supp. 2d 667, 669 (D.N.J. 2000).

PTO.<sup>76</sup> Examples of less common acts of non-disclosure and misrepresentation that the federal courts have held to constitute inequitable conduct are failing to disclose prior art cited in foreign prosecutions, attempting to patent subject matter invented by another, submitting a misleading partial translation of a foreign language document, fabricating an article praising the invention, corrupting a witness as to prior public-use, committing perjury in an interference proceeding, not making consistent arguments to the PTO and the courts, filing misleading affidavits, and disclosing a fictitious inoperable mode of the invention.<sup>77</sup> More recent case law continues to broaden the scope of the doctrine by holding that misrepresenting material facts concerning inventorship,<sup>78</sup> failing to disclose revoked affidavits,<sup>79</sup> intentionally failing to name the correct inventors,<sup>80</sup> falsely claiming small entity status,<sup>81</sup> and failing to advise the PTO examiner of an adverse Board of Patent Appeals and Interferences (hereinafter “BPAI”) decision<sup>82</sup> may also constitute inequitable conduct.

Noteworthy is that although making a misrepresentation of a material fact can give rise to inequitable conduct, merely advocating a particular interpretation of a prior art reference to the PTO will not.<sup>83</sup> This is particularly important when responding to PTO office actions where the attorney must try to argue and distinguish the patent application over the prior art.

### G. *Effect of Inequitable Conduct*

A finding of inequitable conduct in procuring the patent will render the patent unenforceable and permit the public to practice without risk of patent

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<sup>76</sup> See Lisa Dolak, *The Inequitable Conduct Doctrine: Lessons From Recent Cases*, 84 J. Pat. & Trademark Off. Socy. 719, 723-24 (2002) (citing recent cases expanding actions subjected to inequitable conduct).

<sup>77</sup> See Christopher Hu, *Inequitable Conduct - Rule 11 and Other Ethical Issues*, 669 PLI/Pat 1239,1256 (2001) (listing examples of acts that have been held to constitute inequitable conduct).

<sup>78</sup> See *Perspective Biosystems Inc. v. Pharmacia Biotech Inc.*, 225 F.3d 1315, 1321 (Fed. Cir. 2000).

<sup>79</sup> See *Lipman v Dickinson*, 174 F.3d 1363, (Fed Cir 1999).

<sup>80</sup> See *Frank's Casing Crew & Rental Tools, Inc. v. PMR Techs., Ltd.*, 292 F.3d 1363 (Fed. Cir. 2002).

<sup>81</sup> See *Ulead Systems, Inc. v. Lex Computer & Management Corp.* 151 F. Supp. 2d 1192 (C.D. Cal., 2001).

<sup>82</sup> See *Li Second Family Limited Partnership v. Toshiba Corporation et al.*, 231 F.3d 1373, (Fed. Cir. 2000).

<sup>83</sup> See Robert Levy, *Ethical Considerations in Patent Prosecution*, 730 PLI/Pat 7, 23 (2002) (citing *Life Techs. V. Clonotech Labs., Inc.*, 224 F.3d 1320 (Fed. Cir. 2000)).

infringement.<sup>84</sup> It is well-settled law that inequitable conduct with respect to one claim renders the entire patent unenforceable.<sup>85</sup> Another risk is that other related patents, such as continuation applications or divisional applications emanating from a tainted parent application, may be deemed unenforceable under the doctrine of unclean hands.<sup>86</sup> Other potential consequences of a finding of inequitable conduct may include an award of attorney's fees if the case is deemed to be exceptional, Federal Rules of Civil Procedure Rule 11 sanctions against the attorney, and antitrust liability.<sup>87</sup>

On appeal, a clearly erroneous standard is applied in reviewing determinations of materiality and intent.<sup>88</sup> Under this standard, findings of materiality and intent underlying an inequitable conduct determination will not be disturbed unless the CAFC has a definite and firm conviction that a mistake has been committed.<sup>89</sup> The CAFC will review a district court's finding of inequitable conduct under an abuse of discretion standard where the Court cannot substitute its judgment for that of the district court, and reversal requires a clear error in judgment.<sup>90</sup>

A seminal case on the scope of a finding of unenforceability is *Baxter Intl., Inc. v. McGaw, Inc.*<sup>91</sup> Baxter sued McGaw for infringement of three patents (one parent and two divisionals) pertaining to an improvement associated with leakage and coring of solid rubber septums when punctured multiple times by large needles during intravenous administration of liquids.<sup>92</sup> McGaw defended by alleging inequitable conduct based on Baxter's failure to submit related art, which consisted of instructions and sales materials provided by Borla S.p.A., an Italian manufacturer of rubber septa and other medical products.<sup>93</sup> Baxter had used these materials to improve on the solid septum device by adding a slit that permits insertion of a blunt cannula, thereby eliminating problems associated with the need to use sharp needles to puncture the septum.<sup>94</sup> The dis-

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<sup>84</sup> See *Molins*, 48 F.3d at 1178.

<sup>85</sup> *Kingsdown Med. Consultants*, 863 F.2d at 874.

<sup>86</sup> See *Molins*, 48 F.3d at 1182.

<sup>87</sup> See Andrea Wayda, *Inequitable Conduct and Other Ethical Issues*, 669 PLI/Pat 1197, 1202 (2001) (citing Donald S. Chisum, *Chisum on Patents*, §19.03).

<sup>88</sup> *Kingsdown Med. Consultants*, 863 F.2d at 872.

<sup>89</sup> *Id.*

<sup>90</sup> See *Kolmes v. World Fibers Corp.*, 107 F.3d 1534, 1541 (Fed. Cir. 1997).

<sup>91</sup> 149 F.3d 1321 (Fed. Cir. 1998).

<sup>92</sup> *Id.* at 1324-26.

<sup>93</sup> *Id.* at 1326.

<sup>94</sup> *Id.* at 1325.

strict court held that two of the patents at issue were unenforceable because of Baxter's non-disclosure of the sales materials to the PTO, and a third patent was unenforceable based on the "infectious unenforceability" created by a finding of inequitable conduct in the two related patents.<sup>95</sup>

On appeal, the CAFC reversed the finding of unenforceability of the third divisional patent dispelling the general belief that inequitable conduct in any one of a string of continuation, or related applications taints the prosecution history of the entire family of applications rendering all patents granted there from unenforceable.<sup>96</sup> The court held that the Borla device was in no way material to the structure of the blunt cannula disclosed in the third divisional patent.<sup>97</sup> The court reasoned that where the claims of a divisional application are subsequently separated from those of a parent application tainted by inequitable conduct, and the issued divisional claims have no relation to the omitted prior art, the divisional patent will not also be unenforceable due to inequitable conduct committed in the parent application.<sup>98</sup>

### III. SUGGESTIONS FOR AVOIDING INEQUITABLE CONDUCT

#### A. *Use a Client/Inventor Questionnaire or Checklist*

Because the type of acts potentially constituting inequitable conduct has expanded, a patent attorney must be more aware of the risk and take proper precautions through the prosecution process to avoid a future charge of inequitable conduct. MPEP § 2004 sets out guidelines that attorneys should follow to ensure that they comply with the duty of candor. A particularly good practice is to provide patent applicants with a checklist or questionnaire of items that are important to consider to comply with the duty of disclosure.<sup>99</sup> Some of the important questions to include on the checklist are as follows:

1. Proof of inventorship for confirming the true inventors,
2. The origin of the invention and what distinguishes it from the prior art,

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<sup>95</sup> *Id.* at 1330-31.

<sup>96</sup> *Id.* at 1331.

<sup>97</sup> *Id.*

<sup>98</sup> *Id.* at 1332.

<sup>99</sup> See Edwin Flores & Sanford Warren, *Inequitable Conduct, Fraud, and Your License to Practice Before the U.S. Pat. Trademark Off.*, 8 Tex. Intell. Prop. L.J. 299, 312-13 (2000) (citing to MPEP, § 2004).

3. All relevant prior art known to the inventors, and other materials such as sale brochures or devices or drawings known to the inventors,
4. All relevant test data,
5. Dates of initial public-use or sale, and specifics on any experimental use with customers or other outside parties, and
6. Details regarding the best mode of the invention.<sup>100</sup>

After receiving the completed inventor checklist from the applicants, the attorney should consider it relative to his or her duty of candor to the PTO.

### **B. Other Important Precautions**

In view of the more recent case law, other precautions that an attorney should take are as follows:

1. Disclose to the PTO any prior art that is questionable of being cumulative to information already of record.<sup>101</sup> It is better to play it safe rather than risk a future charge of not disclosing to the PTO a prior art reference that may not be cumulative.
2. Provide the PTO with a full translation as opposed to a partial translation when submitting foreign prior art.<sup>102</sup> If the foreign prior art reference is very long, and due to cost considerations only portions can be translated, the attorney should make certain that the untranslated portions are immaterial to the case.
3. Review and research the inventor information pertaining to inventorship, and if necessary, disclose any details of collaboration that may bear on inventorship.<sup>103</sup>
4. Confirm that if a patent applicant is filing as a small entity that the status is appropriate.<sup>104</sup>
5. Disclose to the Examiner patentability rejections with corresponding prior art references for related pending patent applications.<sup>105</sup>

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<sup>100</sup> *Id.*

<sup>101</sup> *See Hu, supra* n. 77, at 1203.

<sup>102</sup> *See id.* at 1203-04.

<sup>103</sup> *See id.* at 1204 (discussing *PerSeptive Biosystems, Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315 (Fed. Cir. 2000)).

<sup>104</sup> *See id.* at 1205 (citing *View Engr., Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 281 (Fed. Cir. 2000)).

<sup>105</sup> *See Dayco Products*, 329 F.3d at 1358.

6. Avoid the submission of long lists of prior art documents within the information disclosure statement to avoid a subsequent inference of trying to bury a highly material reference within a long list of less relevant references.<sup>106</sup> If a long list of references must be submitted, the attorney should highlight those references that are known to be of greater significance.<sup>107</sup>
7. Disclose to the PTO material information in relation to foreign prosecutions or in litigation involving the subject matter of the patent.<sup>108</sup> Examples would include foreign prior art cited in foreign prosecutions, and also evidence of possible prior public-uses or sales, and allegations of the breach of the duty to disclose.
8. Ensure that prior art cited in a specification or in an information disclosure statement is properly described and that the information is not characterized incorrectly or incompletely.<sup>109</sup>
9. Ensure that affidavits and declarations under 37 CFR § 1.131 and 37 CFR § 1.132 are not false or misleading by reviewing the accuracy of the content with the inventor.<sup>110</sup>
10. Because a reviewing court will weigh all evidence submitted on intent, a patent attorney should make sure that the prosecution history is adequately documented with evidence of good faith as appropriate.<sup>111</sup>

The inventor checklist and the above precautions will assist the patent attorney in preparing and prosecuting an enforceable patent and avoid a later charge of inequitable conduct if the patent is litigated in the future.

## PART TWO: PROSECUTION LACHES

### I. INTRODUCTION

The courts have recognized a defense to patent infringement for the unreasonable and unexplained delay by the patentee in prosecuting a patent appli-

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<sup>106</sup> See Margaret Boulware & Tamsen Valoir, *Inequitable Conduct A Nonstatutory Defense*, 572 PLI/Pat 1155, 1162-63 (1999) (citing MPEP, § 2004).

<sup>107</sup> *Id.*

<sup>108</sup> See *id.* at 1168 (citing MPEP, § 2001.06(c)).

<sup>109</sup> See *id.* at 1166 (citing MPEP, § 2004).

<sup>110</sup> See *id.* at 1168 (citing MPEP, § 2004).

<sup>111</sup> See *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1381-82 (Fed. Cir. 1998).

cation to issuance dating as far back as 1923.<sup>112</sup> This doctrine is known as prosecution laches, and is also commonly referred to as continuing application laches and the late claiming doctrine. This equitable defense may render a patent unenforceable if the patent issued after an unreasonable and unexplained delay in prosecution. The doctrine may also be used by the PTO to reject claims in a patent application because of an unreasonable and undue delay in prosecution by the applicant. Prosecution laches has recently become more important in both patent prosecution and litigation based upon two recent decisions of the Court of Appeals for the Federal Circuit.<sup>113</sup> Both decisions leave some unanswered questions regarding the scope of the doctrine.

The purpose of this section of the article will be to explore the judicial evolution of the doctrine from early Supreme Court precedent through more recent CAFC decisions, and legislative action impacting the doctrine. The practice of submarine patenting in view of these legislative and judicial changes will also be explored. The article will then offer suggestions for patent attorneys in preparing and prosecuting patent applications for avoiding prosecution laches both in prosecution and litigation. The article will culminate with a crossover section which will explore common features of and ethical duties implicated by the doctrines of inequitable conduct and prosecution laches.

## II. BACKGROUND

### A. *The Early Development of the Law by the Supreme Court*

The doctrine of prosecution laches was established by the U.S. Supreme Court over 80 years ago. In *Woodbridge v. United States*, the Court held that a patent was unenforceable because the applicant waited almost ten years to inform the PTO that it had erroneously neglected to issue the patent as scheduled.<sup>114</sup> Woodbridge filed an application for rifle projectiles which was allowed by the PTO. Prior to issuance, he requested that the PTO delay the issuance for one year as was authorized by statute.<sup>115</sup> For the next nine and one-half years, neither the PTO nor Woodbridge took any action to issue the allowed application as a patent. Woodbridge then wrote the PTO and requested that the application issue as a patent because it was “only lately that any immediate opportu-

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<sup>112</sup> *Woodbridge v. U.S.*, 263 U.S. 50 (1923).

<sup>113</sup> *In Re Stephen B. Borghese II*, 303 F.3d 1362 (Fed. Cir. 2002); *Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found.*, 277 F.3d 1361 (Fed. Cir. 2002) [hereinafter *Symbol I*].

<sup>114</sup> *Woodbridge*, 263 U.S. at 63.

<sup>115</sup> *Id.* at 52-53.

nity of rendering it pecuniarily available has occurred.”<sup>116</sup> In the same letter, Woodbridge requested a broader specification and broader claims. The PTO refused to issue the patent because Woodbridge had forfeited his right to a patent “by his delay and laches.”<sup>117</sup> Many inventors had obtained patents and made advancements in the field while Woodbridge delayed the issuance of his patent until he could exploit its commercial value.<sup>118</sup> In affirming the decision, the Court explained that the purpose of the Patent Clause of the U.S. Constitution was to promote the progress of science, and one who makes a useful invention will be given a 17 year monopoly to exclude others from making, using, and selling the invention. The court stated that “any practice by the inventor . . . through which he deliberately and without excuse postpones beyond the date of the actual invention, the beginning of the term of his monopoly, . . . is an evasion of the statute” granting a 17-year patent term.<sup>119</sup> In particular, the Court noted that had Woodbridge “succeeded in his illegal plan,” nearly ten years of “unconscionable postponement of the end of his monopoly” would have resulted and caused undue hardship to others who had advanced the technology while Woodbridge’s allowed patent application lay dormant in the archives of the PTO.<sup>120</sup>

In *Webster Electric Co. v. Splitdorf Electric Co.*, the Supreme Court again held a patent to be unenforceable where there had been an unreasonable delay by the applicant in procuring patent rights.<sup>121</sup> This case involved a divisional application which was filed to provoke an interference proceeding with an issued patent. After Webster lost the first interference, he filed yet another divisional application with broader claims to provoke a second interference.<sup>122</sup> The Court characterized the applicant as negligent in waiting over eight years from the original filing date to set forth broader claims. The Court refused to enforce the claims at issue and explained that the inventor had no intention to assert broader claims to the subject matter in question until after that “subject matter was disclosed and in general use.”<sup>123</sup> The inventor had simply stood by and awaited developments in the field by delaying issuance through the excuse of interference proceedings, which represented unreasonable delay and neglect,

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<sup>116</sup> *Id.* at 53.

<sup>117</sup> *Id.* at 55.

<sup>118</sup> *Id.* at 54, 56.

<sup>119</sup> *Id.* at 56.

<sup>120</sup> *Id.* at 58-59.

<sup>121</sup> *Webster Elec. Co. v. Splitdorf Elec. Co.*, 264 U.S. 463, 465, 471 (1924).

<sup>122</sup> *Id.* at 464.

<sup>123</sup> *Id.* at 465.



and therefore was sufficient for a finding of laches. The Court established that there is a prima facie presumption of unreasonableness for new broader claims filed in divisional type applications more than two years after the original filing date, and that the presumption can be rebutted “by proof of special circumstances justifying a longer delay.”<sup>124</sup>

Three years later, the Supreme Court reconsidered the doctrine in *Overland Motor Co. v. Packard Motor Car Co.*, holding this time that an infringement suit cannot be dismissed merely because the patentee repeatedly took advantage of the entire statutory period for responding to PTO office actions and voluntarily filed a divisional application to obtain the claim at issue after it had been finally rejected in the parent application.<sup>125</sup> The facts indicated that the applicant had, on at least seven different occasions during prosecution of the parent and divisional applications, taken more than eleven months to respond to outstanding office actions.<sup>126</sup> At that time, the statutory period for response was one year. Hence the applicant had complied with all applicable statutes. In distinguishing this decision from its decision in *Woodbridge*, the Court highlighted that there was no commercial product on the market prior to the issuance of the patent involving the subject matter of the infringement suit.<sup>127</sup> This aspect of the Court's analysis supports the proposition that even an extended delay in prosecution that postpones the expiration date of the patentee's patent right does not justify equitable intervention via prosecution laches in the absence of intervening adverse rights.

The next case in line of U.S. Supreme Court precedent was *Crown Cork & Seal Co. v. Ferdinand Gutmann Co.*, in which the Court reaffirmed that prosecution laches exists to render a patent unenforceable, but not in the absence of intervening rights.<sup>128</sup> The applicant filed an original application that claimed a process, then three years later, filed a divisional application that claimed the resulting product. More than two years after the original application issued process claims, the applicant filed a second divisional (stemming from the initial divisional) that claimed a second process.<sup>129</sup> The defendant argued that the delay in filing the second divisional constituted prosecution laches under *Webster Electric*, but the patentee argued that there was no intervening adverse use of the

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<sup>124</sup> *Id.* at 471.

<sup>125</sup> 274 U.S. 417, 422, 427 (1927).

<sup>126</sup> *Id.* at 419.

<sup>127</sup> *Id.* at 420.

<sup>128</sup> 304 U.S. 159, 167-68 (1938).

<sup>129</sup> *Id.* at 161.

second process before the filing of the second divisional.<sup>130</sup> The Supreme Court refused to follow *Webster Electric's* prima facie presumption of unreasonableness for new claims filed more than two years after the original filing date by stating that "it is clear that, in the absence of intervening adverse rights, the decision in *Webster* . . . does not mean that an excuse must be shown for a lapse of more than two years in presenting the divisional application."<sup>131</sup> The Court distinguished *Webster Electric*, without overruling it, by noting that in *Webster Electric*, the applicant stood by and awaited development of intervening adverse rights while delaying the prosecution of the claims at issue. In this case, there was no evidence that such conduct existed, and because the existence of intervening adverse rights was an important equitable factor in *Webster Electric*, the *Crown Cork & Seal* court was not compelled to follow the *Webster Electric* holding.<sup>132</sup> Therefore, the Court held that, regardless of *Webster Electric's* two-year time limit, prosecution laches does not apply "in the absence of intervening adverse rights," and reversed the decision of the district court that prosecution laches rendered the patentee's claims unenforceable.<sup>133</sup>

The last in a series of Supreme Court cases was *General Talking Pictures Corp. v. Western Electric Co., Inc.* which reaffirmed that a lapse of the two-year time limit between the original filing and the filing of claims in a subsequent divisional or continuation application does not by itself demonstrate prosecution laches.<sup>134</sup> The facts involved two continuation applications which claimed subject matter that was disclosed, but not claimed, in the original application. In affirming the decision of the district court, the Court rejected a prosecution laches defense in the absence of intervening rights and held that "[i]n the absence of intervening adverse rights for more than two years prior to the continuation applications, they were in time."<sup>135</sup>

Based on Supreme Court precedent prior to the 1952 Patent Act, we can conclude that prosecution laches exists as an equitable defense to patent infringement that may render a patent unenforceable due to an unreasonable delay in patent prosecution coupled with adverse intervening rights to a third party as a result of the delay. Determinations of what constitutes an unreasonable delay is not subject to arbitrary time limits and bright-line rules, but must be evaluated by the court under a totality of the circumstances test.

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<sup>130</sup> *Id.* at 164.

<sup>131</sup> *Id.* at 167-68.

<sup>132</sup> *Id.*

<sup>133</sup> *Id.*

<sup>134</sup> 304 U.S. 175, 183 (1938).

<sup>135</sup> *Id.*

### ***B. The Practice of Submarine Patenting***

A submarine patent is a patent based on an application filed many years before and kept alive by filing continuation applications in the PTO until finally issuing with claims drawn to cover the current state of a matured technology.<sup>136</sup> The "submarine" label derives from the fact that U.S. patent applications have historically been kept confidential unless and until a patent is issued, and hence there was no awareness of the content of a submarine patent until it "surfaces."<sup>137</sup> An inventor could file a broad patent application to a new and emerging technology, and keep a chain of continuation or divisional applications pending before the PTO. As the industry matured and commercial applications for the technology became evident, the inventor would then write claims that read on commercial devices and get them issued through a continuation or divisional application that is entitled to the priority date of the original broad parent application. After issuance, the inventor would then sue for patent infringement those who developed the technology for commercial purposes and seek large infringement damages or royalties based on commercial sales via licensing agreements for products being sold that fell under the scope of the patent claims.

The practice of submarine patenting unreasonably delays the issuance of a patent and the associated invention publication "for the purpose of maximizing its commercial value."<sup>138</sup> A negative effect of submarine patenting is that it potentially holds an entire industry hostage by unfairly attempting to penalize those that have commercially developed the technology while being unaware of the submarine patent. Another harmful effect of submarine patenting is that it unduly postpones "the time when the public can have free use of the invention" by unfairly extending the patent monopoly period.<sup>139</sup>

The most prolific practice of submarine patenting is by inventor Jerome Lemelson. Lemelson is the named inventor on more than 500 U.S. patents over a broad range of technologies, 325 of these patents having a prosecution pendency of longer than eleven years.<sup>140</sup> Lemelson filed original parent patent applications with broad written descriptions. He would then file a series of continua-

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<sup>136</sup> Michael T. Hawkins, *Prosecution Laches in the Wake of Symbol Technologies: What Is "Unreasonable and Unexplained" Delay?*, 87 Minn. L. Rev. 1621, 1626 (2003).

<sup>137</sup> *Id.* at 1627.

<sup>138</sup> Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. Rev. 63, 117 (2004).

<sup>139</sup> *Id.*

<sup>140</sup> *Symbol Techs., Inc. v. Lemelson Med., Educ & Research Found.*, 301 F. Supp. 2d 1147, 1156 (D. Nev. 2004) [hereinafter *Symbol 2*]; Thomas G. Eschweiler, *Ford v. Lemelson and Continuing Application Laches*, 79 J.P.T.O.S. 401, 402 (1997).

tion applications claiming priority to the parent application while intentionally delaying the issuance of the continuation patents until the industry had developed around the technology claimed in the patent. Some of Lemelson's patents have prosecution histories exceeding 40 years. Of the more than five million U.S. patents that have issued from 1914 through 2001, Lemelson's has the dubious distinction of holding the top thirteen positions for the longest prosecutions.<sup>141</sup> When the technology matured into commercially viable products and applications, Lemelson would add and prosecute claims covering the commercial embodiments in one or more continuation applications. After the continuation application issued into a patent, he would then offer to license the patent to those who had invested in developing and commercializing the technology.<sup>142</sup> Lemelson would threaten patent infringement litigation against those who refused to take a license.

### C. *Congressional Action: The 1952 Patent Act, GATT, and AIPA*

Congress intended the 1952 Patent Act to revise and codify laws relating to patents, and more particularly to correct specific statutory and judicially created laws as they existed before the Act.<sup>143</sup> Congress did not however overrule the doctrine of prosecution laches established by the Supreme Court in drafting statutes relating to continuation and divisional applications. United States Code title 35, section 120 codified the practice of filing a continuation application being entitled to the filing date of an earlier application with common subject matter.<sup>144</sup> Section 120 allows for unlimited continuation applications whether done in a reasonable or unreasonable manner. It does not, however, limit equitable restraints upon unreasonable delays by the patentee in filing a series of continuation applications. United States Code title 35, section 121 similarly codified the practice relating to divisional applications, in which "two or more independent and distinct inventions are claimed in the same application," and are entitled to the "filing date of the original application."<sup>145</sup> Also under United States Code title 35, section 282 of the 1952 Act, Congress codified the defenses for patent infringement, which included invalidity and unenforceability.<sup>146</sup> P.J. Federico, who was one of the original drafters of the Act,

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<sup>141</sup> *Symbol 2*, 301 F. Supp. 2d at 1156.

<sup>142</sup> Eschweiler, 79 J.P.T.O.S. at 402.

<sup>143</sup> Sen. Rpt. 82-1979 at 1 (June 27, 1952) (reprinted in 1952 U.S.C.C.A.N. 2394).

<sup>144</sup> 35 U.S.C. § 120 (1952).

<sup>145</sup> *Id.* at § 121.

<sup>146</sup> 35 U.S.C. § 282.

stated that the defenses to unenforceability would include the equitable defenses of laches, estoppel, and unclean hands.<sup>147</sup>

The next round of major legislative action impacting the patent laws and also the doctrine of prosecution laches was signed into law in 1994 as the General Agreement on Tariffs and Trade (hereinafter "GATT").<sup>148</sup> One objective of GATT was to statutorily deal with the practice of submarine patenting. Prior to GATT, a patentee was entitled to a seventeen year patent term commencing from the date of issue of the patent. Under the seventeen year patent term, the date in which the application was filed and the length of time a patent application remained pending before the PTO were irrelevant to the patentee's patent term. Therefore, a continuation application was still entitled to a 17-year patent term from its date of issue even though it could have been pending before the PTO for many years. However, under GATT, for all U.S. patent applications filed on or after June 8, 1995, the term of the patent will be calculated from the date of the application's filing date, and extend for twenty years from the filing date.<sup>149</sup> This is codified under United States Code title 35, section 154(a). Under this framework, the longer the time a patent application is prosecuted within the PTO, the shorter will be its post-grant enforceable term. Therefore, the 20-year patent term discourages the practice of submarine patenting because a patentee will have a significantly shorter patent term the longer the time spent in prosecuting a series of continuation or divisional applications.

In addition, to help deal with the lack of notice associated with submarine patenting, in 1999, under the American Inventors Protection Act, Congress required publication of U.S. patent applications.<sup>150</sup> Under United States Code title 35, section 122, each U.S. patent application shall be published 18-months from its earliest filing date for which priority is sought.<sup>151</sup> The publication of U.S. patent applications, including pending continuation and divisional applications, filed after 1999 makes the secrecy of submarine patents difficult to maintain, and was another step in the right direction to cure the abuses associated with submarine patenting. There are, however, a number of exceptions when

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<sup>147</sup> P. J. Federico, *Commentary on the New Patent Act*, 55 (West 1954), 35 U.S.C.A. (1952) (reprinted in 75 J.P.T.O.S. 161, 215 (1993)).

<sup>148</sup> Pub. L. No. 103-465, § 2, 108 Stat. 4809, 4813 (1994).

<sup>149</sup> Pub. L. No. 103-465 at § 154(a)(2), 108 Stat. at 4984.

<sup>150</sup> Lemley, *supra* n. 138, at 80.

<sup>151</sup> 35 U.S.C. § 122 (b)(1)(A) ("[E]ach application for a patent shall be published . . . promptly after the expiration of a period of 18 months from the earliest filing date for which a benefit is sought under this title.")

publication is not required, the most important of which is when the applicant forgoes his rights to file abroad.<sup>152</sup>

While these legislative changes under GATT and AIPLA have significantly improved the problem of submarine patents for applications filed after 1995, they have not eliminated the problem entirely. It has been estimated that there are still in excess of 1 million enforceable patents that still exist under the 17-year patent term, and hence are still susceptible to continuation applications issuing from them and being entitled to a 17-year patent term from the date of issue.<sup>153</sup> With time, this problem will go away as pre-1995 patents continue to expire. Even under the 20-year patent term from the date of initial filing, submarine patenting may continue, although albeit for shorter time periods. For example, an applicant may delay issuance of a patent for ten years and give up ten years of patent term while a technology continues to mature in order to try to take competitors by surprise by writing claims that read on commercial products via a continuation application.<sup>154</sup> The publication of U.S. patent applications does not totally remedy the situation. Notice can also be averted by the patent applicant choosing not to file abroad such that the parent and continuation applications do not have to publish prior to issuance.<sup>155</sup>

In conclusion, legislative action under GATT (20-year patent term from date of filing) and AIPLA (publication requirement 18-months from filing) have helped to resolve some of the issues associated with submarine patenting. In spite of this legislative action, there still exists a need for judicial action to deal with continued abuses of the patent system, which is where the equitable doctrine of prosecution or continuing application laches fits in.

#### ***D. Court of Appeals for the Federal Circuit Development***

##### **1. Prosecution Laches as a Defense to Patent Infringement**

The CAFC first recognized the defense of prosecution laches arising from a patent applicant's unreasonable and unexplained delay in the prosecution

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<sup>152</sup> *Id.* at § 122 (b)(2)(B) (“If an applicant makes a request upon filing, certifying that the invention disclosed in the application has not and will not be the subject of an application filed in another country, . . . the application will not be published as provided in paragraph (1)”).

<sup>153</sup> Lemley, *supra* n. 138, at 85.

<sup>154</sup> *Id.*

<sup>155</sup> *Id.* at 88-89.

of a patent in *Symbol Technologies v. Lemelson*.<sup>156</sup> The appeal came to the CAFC from a decision of the U.S. District Court for the District of Nevada which incorrectly concluded that prosecution laches was not available as a defense to patent infringement as a matter of law.<sup>157</sup> The case exemplifies Jerome Lemelson's use of submarine patenting and the judicial defenses that are available to deal with it.

At issue were fourteen of Lemelson's patents directed to machine vision and automatic identification technology that issued from continuation applications entitled to a priority date of two parent applications filed in 1954 and 1956.<sup>158</sup> Symbol and Cognex brought a declaratory judgment action against Lemelson seeking a judgment that his patents were invalid, unenforceable and not infringed by the plaintiffs. The declaratory judgment action was precipitated by Lemelson sending letters to the customers of Symbol and Cognex stating that their use of the plaintiff's products infringed various Lemelson patents.<sup>159</sup>

The sole issue on appeal was "whether, as a matter of law, the equitable doctrine of laches may be applied to bar enforcement of patent claims that issued after an unreasonable and unexplained delay in prosecution even though the applicant complied with pertinent statutes and rules."<sup>160</sup> Lemelson asserted that the defense is not available for three reasons, the first being that prosecution laches is limited to claims arising out of interference proceedings based upon the Supreme Court's decision in *Webster Electric*.<sup>161</sup> The CAFC found no support for his proposition and cited to the Supreme Court's decision in *Crown Cork & Seal*, which validated the defense in a non-interference context.<sup>162</sup> Next, Lemelson asserted that plain language of the 1952 Patent Act, and more particularly the enactment of Sections 120 and 121 for continuation and divisional applications foreclosed prosecution laches as a defense.<sup>163</sup> The Court also rejected this argument in stating that "there is nothing in the legislative history to suggest that Congress did not intend to carry forward the defense of prosecution laches

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<sup>156</sup> *Symbol I*, 277 F.3d at 1361.

<sup>157</sup> *Symbol Tech., Inc. v. Lemelson Med., Educ. & Research Found.*, 2000 U.S. Dist. LEXIS 21863 (D. Nev. Mar. 15, 2000).

<sup>158</sup> *Symbol I*, 277 F.3d at 1363.

<sup>159</sup> *Id.*

<sup>160</sup> *Id.*

<sup>161</sup> *Id.* at 1365.

<sup>162</sup> See *supra* Part V.a.

<sup>163</sup> *Symbol I*, 277 F.3d at 1365-66.

as well."<sup>164</sup> The CAFC also pointed out that the enactment of Section 282 supported the ongoing use of the equitable defenses to patent infringement.<sup>165</sup> Lastly, Lemelson argued that two previous non-precedential CAFC opinions rejected the prosecution laches defense and that these decisions should be binding in this case.<sup>166</sup> The Court also rejected this argument stating that it was not forced to rely on two prior "non-precedential" opinions of the CAFC cited by Lemelson.<sup>167</sup> In reversing the decision of the district court, the CAFC held that prosecution laches was available as an equitable defense to patent infringement where an unreasonable and unexplained delay in prosecution occurs, even when the patentee satisfies all the statutory requirements for obtaining a patent.<sup>168</sup> The CAFC relied on Supreme Court precedent in *Woodbridge*, *Webster Electric*, *Crown Cork & Seal* and *General Talking Pictures* in support of its decision.<sup>169</sup>

Justice Newman wrote a sharp dissent, which focused on Lemelson's second argument regarding the statutory basis for continuation practice under Section 120 as a reason for why prosecution laches should not apply. In particular, she expressed concern with the majority's invocation of prosecution laches because it would lead to litigation that could "deprive the applicant, retrospectively, of a property right that was granted in accordance with law."<sup>170</sup> Judge Newman felt that district courts striving to apply a laches defense would struggle with the problem of trying to strike a balance between the explicit statutory acceptance of continuation practice, in which there were no built-in limits on the number of continuation applications that could be taken, or the permissible length of their pendency, and the CAFC's insistence that even a prosecution conducted in perfect accordance with the letter of the continuation application requirements could be deemed improper, and the resultant patent unenforceable for violating the laches defense.<sup>171</sup> Further, Judge Newman felt that the laches defense created too many uncertainties to a patent granted whereby routine actions, in full statutory compliance, can years later be challenged as having been done too late or having taken too long.

The CAFC then remanded the case to the district court for a determination of whether there was an unreasonable and unexplained delay in prosecution

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<sup>164</sup> *Id.* at 1366.

<sup>165</sup> *Id.*

<sup>166</sup> *Id.*

<sup>167</sup> *Id.* at 1368.

<sup>168</sup> *Id.*

<sup>169</sup> *See supra* Part V.a.

<sup>170</sup> *Symbol I*, 277 F.3d at 1371.

<sup>171</sup> *Id.*



by Lemelson in procuring the patents at issue. The CAFC did not offer a legal standard for determining whether “unreasonable and unexplained delay” had in fact occurred. On remand, the U.S. District Court for the District of Nevada explained that “the unreasonableness of the delay in prosecuting a patent application, prosecution laches must necessarily be evaluated on a case-by-case basis.”<sup>172</sup> The facts indicated that Lemelson’s original patent applications were filed in 1954 and 1956, issued into patents in 1962 and 1963 respectively, and expired in the early 80’s.<sup>173</sup> Between the early 80’s and the late 90’s, numerous articles and papers were published as well as commercial products developed and marketed on machine vision and bar code scanning technology.<sup>174</sup> Lemelson was aware of these developments in the field and yet still waited to file claims via continuation applications, and by doing so extended the pendency of his applications by systematically filing one continuation application at a time.<sup>175</sup> Finally in the late 80’s and early 90’s, Lemelson drafted and prosecuted hundreds of new claims claiming priority to the original broad patent applications of the 1950’s.<sup>176</sup> These continuation applications included claims that were worded to read on the commercial systems.<sup>177</sup>

In applying a totality of the circumstances approach under a preponderance of the evidence standard, the district court found that Lemelson’s “18 to 39 year delay in filing and prosecuting the asserted claims under the fourteen patents-in-suit after they were first purportedly disclosed in the 1954 and 1956 applications was unreasonable and unjustified.”<sup>178</sup> The court reasoned that subject matter in the original 1962 and 1963 patents that was disclosed to the public, but not claimed was dedicated to the public under the holdings of the *Maxwell v. Baker*<sup>179</sup> and *Johnson & Johnson Assoc. Inc. v. R.E. Service Co.*<sup>180</sup> If Lemelson was able to later assert claims tailored to read on commercial devices, there would be a prejudicial effect on Symbol, Cognex, and the public in general from being able to distinguish what is claimed by Lemelson and that which is not.<sup>181</sup>

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<sup>172</sup> *Symbol II*, 301 F. Supp. 2d at 1155.

<sup>173</sup> *Id.* at 1155-56.

<sup>174</sup> *Id.* at 1156.

<sup>175</sup> *Id.*

<sup>176</sup> *Id.*

<sup>177</sup> *Id.*

<sup>178</sup> *Id.* at 1155.

<sup>179</sup> *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1106 (Fed. Cir. 1996).

<sup>180</sup> *Symbol II*, 301 F. Supp. 2d at 1155-56; *Johnson & Johnson Assocs. Inc. v. R.E. Serv. Co.*, 285 F.3d 1046, 1054 (Fed. Cir. 2002).

<sup>181</sup> *Symbol II*, 301 F. Supp. 2d at 1156.

The court stated that “[p]rosecution laches act[ed] to protect the public by forcing patentees to file patent claims in a timely manner.”<sup>182</sup> “Lemelson effectively extended his patent monopoly by maintaining co-pendency for nearly forty years through continuation practice, and added new claims to cover commercial inventions in the market place years after his original patents had expired,” which is precisely the type of prejudice to the public which prosecution laches is designed to guard against.<sup>183</sup>

The court also justified application of the equitable defense of prosecution laches based upon the strong evidence of intervening private and public rights from the use of products developed, manufactured and sold by Symbol, and Cognex.<sup>184</sup> The district court concluded that Lemelson’s unexplained and unreasonable delay in securing patent claims coupled with the strong evidence of intervening rights to the plaintiffs rendered the claims unenforceable against Symbol and Cognex under the doctrine of prosecution laches.<sup>185</sup>

Lemelson appealed the district court’s decision that his asserted patents were unenforceable due to prosecution laches.<sup>186</sup> Lemelson argued that the district court abused its discretion in holding the patents unenforceable, because it relied solely on the delay in the issuance of the patents, and did not prove that Lemelson had intentionally delayed the issuance of the patents.<sup>187</sup> Lemelson asserted that adequate justification provided an explanation for the long time lapse between the filing of his patents and their issuance.<sup>188</sup> Symbol responded that a finding of laches did not require an “‘intentional’ delay” on the part of the patentee, but only a delay that was “unreasonable and unexplained.”<sup>189</sup> In addition, Symbol asserted that factors other than the lapse of time between patent filing and issuance should be considered by the court, including the prosecution history of the patents, the patentee’s conduct before the PTO during prosecution, the independent progress of other inventors in the relevant technology field during the prosecution period, and finally the prejudice to the public due to the delay between patent filing and issuance.<sup>190</sup>

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<sup>182</sup> *Id.* at 1157.

<sup>183</sup> *Id.*

<sup>184</sup> *Id.*

<sup>185</sup> *Id.*

<sup>186</sup> *Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found.*, 422 F.3d 1378, 1380 (Fed. Cir. 2005).

<sup>187</sup> *Id.* at 1384.

<sup>188</sup> *Id.*

<sup>189</sup> *Id.*

<sup>190</sup> *Id.*

The CAFC concluded that the district court did not abuse its discretion in holding that Lemelson's patents were unenforceable under prosecution laches, and affirmed the district court's decision.<sup>191</sup> The Court reaffirmed its earlier decision that a patent – when it has issued – may be unenforceable under prosecution laches only after an unreasonable and unexplained delay in prosecution.<sup>192</sup> The Court further explained that there were “no strict time limitations for determining whether continued refileing of patent applications is a legitimate utilization of statutory provisions or an abuse of those provisions,” but rather equitable considerations subject to the discretion of a district court should have been utilized in deciding whether a patent is unenforceable for laches.<sup>193</sup> However, the Court did temper the discretion given to a district court by stating that prosecution laches “should be applied only in egregious cases of misuse of the statutory patent system” under a totality of the circumstances analysis.<sup>194</sup> The repetitive re-filing of a series of patent applications containing only previously allowed claims for the purpose of delaying issuance was exemplified by the Court as an egregious abuse of the patent system which may trigger laches.<sup>195</sup> The CAFC supported the district courts finding that Lemelson had engaged in “culpable neglect” during the prosecution of his applications that adversely impacted competitive businesses because of not being able to determine what was patented.<sup>196</sup> Intent to delay issuance of a patent is not required for a finding laches.<sup>197</sup>

## 2. Prosecution Laches as a Basis to Reject a Patent Application

In 2002, the CAFC also considered on appeal from the BPAI the question of whether the PTO is authorized to reject a patent application under the doctrine of prosecution laches, where the applicant failed to advance the prosecution of his patent application for an unreasonably long period, and if the PTO is so authorized, whether it acted arbitrarily in rejecting the applicant's patent application.<sup>198</sup> The facts indicate that the plaintiff engaged in the practice of

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<sup>191</sup> *Id.* at 1386.

<sup>192</sup> *Id.* at 1384-85.

<sup>193</sup> *Id.* at 1385.

<sup>194</sup> *Id.*

<sup>195</sup> *Id.*

<sup>196</sup> *Id.* at 1386.

<sup>197</sup> *Id.*

<sup>198</sup> *In re Bogese II*, 303 F.3d 1362, 1366-67 (Fed. Cir. 2002).

filing abusive continuation applications through which he was able to maintain the benefit of a 1978 filing date while delaying prosecution of applications that would issue in the 1990s.<sup>199</sup> The inventor's intent was again to attempt to extend patent protection well beyond the seventeen-year patent term.<sup>200</sup> Between 1987 and 1994, Bogese had filed twelve continuation applications.<sup>201</sup> Each continuation application was filed on nearly the last possible day, each after a final rejection, and each with no claim changes or amendments.<sup>202</sup> Finally, in a final rejection in August of 1994, the Examiner warned the applicant that "[T]he next continuation of this series may be rejected by invoking the equitable doctrine of laches, absent any substantive amendment to advance prosecution. The doctrine of laches, meaning undue delay in claiming one's rights, may result in the loss of those rights."<sup>203</sup> The examiner stated "In this case, the loss may be the right to a priority date, or the right to a patent."<sup>204</sup> The applicant ignored the examiner's warning and filed yet another continuation application without making any amendments or including any argument.<sup>205</sup> The Examiner then notified the applicant that he had forfeited his right to a patent by

[P]ursu[ing] a deliberate and consistent course of conduct that has resulted in an exceptional delay in advancing the prosecution and the issuance of a patent [and] . . . deliberately postpon[ing] meaningful prosecution, deliberately postpon[ing] the grant of any patent to which he may be entitled, and deliberately postpon[ing] the free public enjoyment of any invention on which a patent may have issued. These deliberate actions are an evasion of the patent statute and defeat its benevolent aim.<sup>206</sup>

The BPAI upheld the examiner's rejection of the application based on the applicant's undue and unreasonable delay in advancing prosecution and held that an inventor who

[I]ntentionally or by reason of culpable neglect, is guilty of action which unduly postpones the time the public would be entitled to the free use of the invention has thus defeated the policy of the patent law, thereby losing the right

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<sup>199</sup> *Id.* at 1366.

<sup>200</sup> *Id.*

<sup>201</sup> *Id.* at 1365.

<sup>202</sup> *Id.* at 1363-64.

<sup>203</sup> *Id.* at 1364.

<sup>204</sup> *Id.*

<sup>205</sup> *Id.* at 1365.

<sup>206</sup> *Id.*

to a patent, regardless of whether the delay in the patent term also results in delay of the disclosure of the invention to the public.<sup>207</sup>

Prompt disclosure to the public, with no undue delay, is the consideration required for a patent grant.<sup>208</sup>

On appeal to the CAFC, the Court relying on its recent decision in *Symbol Technologies v. Lemelson Medical*, affirmed the decision of the BPAI and held that the PTO has the authority to reject patent applications for patents that would be unenforceable due to prosecution laches.<sup>209</sup> In fact, the CAFC stated that the PTO's authority to sanction for undue delay in prosecution is even broader than the authority of the federal district courts.<sup>210</sup> In explaining its decision, the Court stated that Bogese had "received ample notice that an unreasonable delay [in prosecution] could result in forfeiture [of patent rights,]" but "instead [he] filed another file wrapper continuation application without making a substantive amendment to advance prosecution."<sup>211</sup> "There is no basis for finding the PTO's action to be arbitrary on the facts of this case, given that Bogese filed twelve continuation applications over an eight-year period and did not substantively advance prosecution of his application when required and given an opportunity to do so by the PTO."<sup>212</sup> Bogese is a textbook case of the patent applicant trying to wear down the examiner.

Justice Newman again dissented because absent legislative authorization, the PTO does not have the authority to impose its own non-statutory time limits regarding the number of continuation applications that can be filed for examination purposes to eliminate the right to a patent by the applicant.<sup>213</sup> In addition, the PTO does not have a right to adopt a position that has been denied by binding precedent.<sup>214</sup> The CAFC has held that "there is no statutory basis for fixing an arbitrary limit to the number of prior applications through which a chain of co-pendency may be traced to obtain the benefit of the filing date of the earliest of a chain of co-pending applications, provided applicant meets all the other conditions of the statute."<sup>215</sup> Newman also argued that "equitable determinations are generally reserved for the courts" and not for the PTO where a

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<sup>207</sup> *Id.* at 1366.

<sup>208</sup> *Ex parte Hull*, 191 U.S.P.Q. 157, 159 (B.P.A.I. 1975).

<sup>209</sup> *In re Bogese II*, 303 F.3d at 1367.

<sup>210</sup> *Id.*

<sup>211</sup> *Id.* at 1368-69.

<sup>212</sup> *Id.* at 1369.

<sup>213</sup> *Id.* at 1370.

<sup>214</sup> *Id.*

<sup>215</sup> *In re Henriksen*, 399 F.2d 253, 254 (C.C.P.A. 1968).

patent applicant has followed the law.<sup>216</sup> Lastly, Newman pointed out that the absence of a defendant should bar the PTO, as a branch of the government, from applying the doctrine of prosecution laches: "[P]atent examination is not litigation; there is no 'defendant,' no prejudice, [and] no issue of injury to the government or clean hands on [the PTO's] part."<sup>217</sup>

In sum, the doctrine of prosecution laches may be invoked not only by a defendant in patent infringement litigation, but also by the PTO during ex parte patent prosecution.

### III. THE LAW OF PROSECUTION LACHES SUMMARIZED AND RELATED ISSUES

#### A. *Elements*

In a patent litigation context, the defense of prosecution laches requires a defendant to prove the following two elements:

1. The patentee unreasonably and unexplainably delayed patent prosecution, and
2. The delay operated to material prejudice or cause injury as evidenced by the onset of intervening adverse rights to the accused infringer or the public at large.<sup>218</sup>

In determining whether the two elements are satisfied, a district court has broad discretion to consider equitable considerations under a totality of the circumstances approach<sup>219</sup> No strict time limits were established to define what constitutes an "unreasonable" delay, but rather there must be an egregious misuse of the statutory patent system for the delay to be "unreasonable."<sup>220</sup> In addition, culpable neglect in delaying prosecution as opposed to intentionally delaying prosecution by the patentee is sufficient for a finding of "unexplainable" delay.<sup>221</sup>

In a patent prosecution context, the PTO may refuse to issue a patent to a patent applicant under the doctrine of prosecution laches if the PTO satisfies the following two elements:

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<sup>216</sup> *In re Bogese II*, 303 F.3d at 1370.

<sup>217</sup> *Id.* at 1372.

<sup>218</sup> *Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found.*, 422 F.3d 1378, 1385-86 (Fed. Cir. 2005).

<sup>219</sup> *Id.*

<sup>220</sup> *Id.*

<sup>221</sup> *Id.* at 1386.

1. The applicant unreasonably delayed the prosecution of a patent application before the PTO, and

2. The applicant was given sufficient notice of the consequences of continuing to delay prosecution with an opportunity to correct the situation.<sup>222</sup>

In *ex parte* prosecution before the PTO, there is no need to prove prejudice, injury or intervening rights to another party.<sup>223</sup>

### **B. Impact of CAFC Decisions Moving Forward**

The equitable defense of prosecution laches is important because recent statistics show that approximately one-quarter of all patents granted and more than one-half of patents litigated are issued from continuation applications.<sup>224</sup> Although the prosecution laches doctrine has been recently reinvigorated by the CAFC since its decisions in *Symbol Technologies* and *In re Bogese II*, there continue to be two major problems with the doctrine as it now stands.<sup>225</sup> One problem is that the parameters of the doctrine and its application are not well defined.<sup>226</sup> The second problem is that the courts lack clear standards and hard evidence upon which to base a decision on reasonableness.<sup>227</sup> Greater certainty will increase the effectiveness of the doctrine and give both patent applicants and their competitors an idea of when it may apply.

In a patent litigation context, it seems clear that defense may be set forth by an alleged infringer where the patentee in the course of the prosecution took steps to ensnare the alleged infringer's products or developments in the field by adding claims to cover those products or developments. The patentee's course of conduct towards the alleged infringer must also cause material prejudice beyond the mere threat of infringement damages.<sup>228</sup> An important threshold factor in a prosecution laches defense is assessing what constitutes an "unreasonable and unexplainable" delay. A number of factors should be considered in assessing the adequacy of the explanation for a delay in prosecution.

One such factor is the actual duration of the applicant's delay.<sup>229</sup> The CAFC has held that the length of time that courts may deem unreasonable has

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<sup>222</sup> *In re Bogese II*, 303 F.3d 1362, 1367, 1369 (Fed. Cir. 2002).

<sup>223</sup> *Id.* at 1372.

<sup>224</sup> Lemley, *supra* n. 138, at 70.

<sup>225</sup> *Id.* at 111-12.

<sup>226</sup> *Id.*

<sup>227</sup> *Id.* at 112.

<sup>228</sup> *Reiffen v. Microsoft Corp.*, 270 F.Supp. 2d 1132, 1152 (N.D. Cal. 2003).

<sup>229</sup> Hawkins, *supra* n. 136, at 1657.

no fixed boundaries, but instead depends on the particular circumstances because laches is an equitable determination.<sup>230</sup> In assessing whether the delay is unreasonable, the period is measured from the time the claimed subject matter is first disclosed in the specification until the time when the applicant actively prosecutes the claims at issue.<sup>231</sup> For example, a delay of several decades in presenting claims to the PTO was found sufficiently egregious in *Symbol Technologies* to support a finding of “unreasonable and unexplainable” delay.<sup>232</sup> One commentator has suggested that a presumption of laches should attach when any patent is pending for eight years or longer.<sup>233</sup>

A second factor to consider in assessing whether there is an “unreasonable and unexplainable” delay is whether the delay was caused by the actions of the PTO.<sup>234</sup> A patent applicant cannot control delays that the PTO may cause, such as time spent waiting for an office action, or time spent waiting for an appeal from an examiner’s final rejection. Prosecution laches does not apply to delays resulting “from circumstances in the Patent Office” where nothing pointed to a “deliberate or calculated delay on the part of the applicants.”<sup>235</sup>

A third factor to consider is the use of delay tactics by the patent applicant.<sup>236</sup> Many of the delay tactics fall within the regulations and statutes. For example, extending the time to respond to an office action from three to six months by paying a late filing fee is perfectly permissible.<sup>237</sup> Unacceptable delay tactics include waiting the entire six-month statutory period for filing a continuation application and then making no substantive changes or advancing no new arguments in the continuation application.<sup>238</sup> Another unacceptable delay tactic would be intentionally abandoning an application and then later trying to revive it after discovering that the disclosed subject matter may have potential commercial benefit.<sup>239</sup> It should be emphasized however that intentionally delaying prosecution is not required by the patentee, but rather the lower threshold

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<sup>230</sup> *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1032 (Fed. Cir. 1992).

<sup>231</sup> *Webster Elec. Co. v. Splittorf Elec. Co.*, 264 U.S. 463, 465 (1924).

<sup>232</sup> See *supra* Part V.d.1.

<sup>233</sup> Lemley, *supra* n. 138, at 113.

<sup>234</sup> Hawkins, *supra* n. 136, at 1659.

<sup>235</sup> *Studiengesellschaft Kohle mbH v. N. Petrochem. Co.*, 784 F.2d 351, 356 (Fed. Cir. 1986).

<sup>236</sup> Hawkins, *supra* n. 136, at 1659.

<sup>237</sup> 35 U.S.C. § 133 (2000); 37 C.F.R. § 1.134 (1997).

<sup>238</sup> Hawkins, *supra* n. 136, at 1659.

<sup>239</sup> *Id.* at 1660.



of culpable neglect in delaying prosecution is sufficient to support a finding of “unreasonable and unexplainable” delay.<sup>240</sup>

A fourth factor to consider in defining what constitutes “unreasonable and unexplainable” delay, is the peripheral justification or explanations set forth by the applicant.<sup>241</sup> The patent applicant should give detailed explanations wherever possible for the delay in issuance of the patent claims where the delay was applicant controlled as opposed to PTO controlled. For example, the applicant may explain that the issuance of the patent claims was delayed due to an interference proceeding before the PTO.

The federal district court for the Northern District of California established seven factors for consideration in assessing the reasonableness of the prosecution delay. These factors are as follows:

(1) the prosecution history of plaintiff's patents was typical of patents in that field or patents generally; (2) any unexplained gaps exist in the prosecution history; (3) plaintiff took and unusual steps to speed or delay the application process; (4) the PTO or other reviewing body took any unusual steps to speed or delay the application process; (5) plaintiff took any steps to limit public awareness of his pending applications or the inventions he sought to patent over the course of the prosecution; (6) any changes in plaintiff's prosecution of the application coincide with or directly follow evolutions in the field that relate to the claimed invention; and (7) legitimate grounds can be identified for the abandonment of prior applications.<sup>242</sup>

Further complicating what constitutes “unreasonable and unexplainable” delay is the continuum between what constitutes acceptable commercial gamesmanship versus unacceptable unreasonable delay. Acceptable commercial gamesmanship is exemplified by the CAFC's decision in *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.* where the Court held en banc that “there is nothing improper, illegal, or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor's product from the market; nor is it in any manner improper to amend or insert claims intended to cover a competitor's product the applicant's attorney has learned about during the prosecution of a patent application.”<sup>243</sup> Although *Kingsdown* was not a prosecution laches case, it involved the previously discussed equitable defense

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<sup>240</sup> *Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found.*, 422 F.3d 1378, 1386 (Fed. Cir. 2005).

<sup>241</sup> Hawkins, *supra* n. 136, at 1660.

<sup>242</sup> Douglas R. Nemec, *Current Trends in Equitable Defenses to Patent Infringement: Prosecution Laches and Inequitable Conduct*, 804 PLI/Pat 1147, 1179-80 (2004).

<sup>243</sup> 863 F.2d 867, 874 (Fed. Cir. 1988).

of inequitable conduct.<sup>244</sup> *Kingsdown* did not declare that it is legally proper for an inventor to conceive of an invention, file an application disclosing the invention, and then willfully linger years or even decades so that others have time to develop and market products embodying the invention before asserting new claims to the commercial products.<sup>245</sup> The *Kingsdown* Court did not address the question of how long a period of delay affects the equities of the situation, and in particular where the patentee could have earlier asserted claims that would have read on a competitor's product.<sup>246</sup> “[O]ther inventors may work under the assumption that the patentee is not going to prosecute broader claims” where a long period of delay is involved, and therefore “they may develop improvements only to find that they are alleged infringers of a later-prosecuted continuation patent.”<sup>247</sup>

The *Kingsdown* decision does not preclude an alleged infringer from asserting the kinds of circumstances (unreasonable delay and prejudice) necessary for a defense of prosecution laches,<sup>248</sup> and is hence consistent with the *Symbol* decision upon closer analysis. Lemelson's practice of waiting for devices to appear in the marketplace and then drafting new claims to cover these devices was anything but reasonable as a matter of law because his submarine tactics essentially foreclosed any possibility of others bringing a steady flow of innovations to the marketplace.<sup>249</sup> Therefore Lemelson's submarine patent tactics cannot be characterized as legitimate commercial gamesmanship of the type set out as proper by the *Kingsdown* Court, but rather qualify as egregious circumstances to support a finding of “unreasonable and unexplainable” delay in support of a prosecution laches defense.

In sum, the factors to support a finding of “unreasonable and unexplainable” delay and prejudice to the alleged infringer are subject to the broad discretion of the court under a totality of the circumstances test. The above factors are not exhaustive, but serve as a guide for the multitude of equitable considerations that a court may consider. However, the “unreasonable and unexplainable” delay must be based on egregious misuse of the patent system by the patentee.

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<sup>244</sup> *Chiron Corp. v. Genentech, Inc.*, 268 F. Supp. 2d 1139, 1143 (E.D. Cal. 2002).

<sup>245</sup> *Id.*

<sup>246</sup> *Id.*

<sup>247</sup> *Id.*

<sup>248</sup> *Id.*

<sup>249</sup> David L. Marcus, *Is the Submarine Patent Torpedoed?: Ford Motor Co. v. Lemelson and The Revival of Continuation Application Laches*, 70 Temp. L. Rev. 521, 584 (1997).

#### IV. SUGGESTIONS FOR AVOIDING PROSECUTION LACHES

As a patent attorney prosecuting applications before the PTO, the following guidelines should be followed to avoid a charge of prosecution laches by the PTO during the prosecution process or subsequent to issuance of the patent in a litigation context.

1. In drafting the patent application, avoid the use of vague or generic wording that may allow the patentee to stretch the terminology to cover a large number of technologies, including even later arising technologies that the inventor could not have foreseen at the time he drafted the disclosure. Also avoid the use of “prophetic” examples to cover technologies that would be clearly valuable, but that the inventor does not know how to make.
2. Avoid drafting broad but vague or obscure disclosures and keeping them pending for many years with the intent of later claiming through a continuation application specific embodiments supported by the original disclosure as the technology and commercial marketplace develops in the particular field.
3. When dealing with breakthrough type of patent applications, attempt to foresee future developments and utilize both broad and narrow claims to fully encompass the scope of the invention when drafting the parent application to avoid filing continuation applications. In drafting these claims, be sure that they are fully supported by the specification and satisfy the written description and enablement requirements.<sup>250</sup> When amending or adding new claims, ensure that new matter is not added.<sup>251</sup>
4. Avoid later filing multiple continuation type applications that claim priority to the original parent application and that represent minor and insignificant changes in claim scope relative to the parent application. There should not be a chain of multiple patent applications that cover basically the same invention.
5. Avoid filing continuation applications that do not make any substantive changes in response to a final rejection by the PTO. When facing final rejections before the PTO during prosecution, file continuation applications that advance prosecution by amending the claims or arguing a position related to patentability.

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<sup>250</sup> 35 U.S.C. § 112.

<sup>251</sup> *Id.* at § 132(a).

6. Account for long and unexplained gaps in the prosecution history that are applicant controllable by having the record reflect the reasons why prosecution was delayed for inordinate periods of time. For example, recodation of the reason for large gaps in the prosecution history either within responses to PTO office actions or via Rule 132 oaths or declarations by the inventors will help to preserve the record.<sup>252</sup>
7. Avoid actions to limit the public's awareness of pending applications. For example, even if not filing abroad, do not request under Section 122(b)(2)(B) that the application not be published 18-months from its U.S. filing date.
8. Avoid responses to PTO office actions that do not set forth substantive argument or amendment. Also file responses to PTO office actions within the statutory periods.
9. Question your client's motives for wanting to extend the pendency of an application, and be particularly wary where the motive is to monitor marketplace and competitive developments of the technology.
10. Proactively counsel your clients against taking unreasonable and unexplainable tactics that unduly delay patent prosecution.
11. Become familiar with Rule 10.40 of the PTO Code of Professional Responsibility (hereinafter "PTO Code") for mandatory and permissive withdrawal<sup>253</sup> if your client persists in pursuing a course of action that may implicate prosecution laches after being warned of its risks.
12. In spite of the above precautions regarding prosecution laches and continuation practice, the attorney or agent must still utilize continuation practice when the intent is not to create submarine patents, but to claim the benefit of the filing date of the earliest of a chain of prior co-pending applications.<sup>254</sup> There is no statutory limit to the number of prior applications through which a chain of co-pendency may be traced.

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<sup>252</sup> See generally 37 C.F.R. § 1.132 (2000). (Affidavits or declarations traversing rejections or objections).

<sup>253</sup> See generally 37 C.F.R. § 10.40 (1985). (Withdrawal from employment).

<sup>254</sup> PTO U.S. Dept. of Commerce, MPEP at § 201.11 (8th ed. 2001).

### PART THREE: CROSSOVER BETWEEN INEQUITABLE CONDUCT AND LACHES

#### I. COMMON FEATURES

Both inequitable conduct and prosecution laches are equitable doctrines that can not only render a patent unenforceable as an affirmative defense to patent infringement, but may also be used by the PTO to reject a patent application. Both doctrines involve a two-element test with the elements of inequitable conduct being materiality and intent to deceive, and the elements of prosecution laches being unreasonable and unexplainable delay in prosecution and material prejudice to a third party. In addition, both doctrines may also render unenforceable claims that are tainted by deception for the case of inequitable conduct, and unreasonable delay and intervening adverse rights for the case of prosecution laches, as well as all other non-tainted claims of the patent. Coincidentally, another similarity is that the seminal case involving inequitable conduct, *Molins v. Textron*, and the seminal case involving prosecution laches, *Symbol Technologies v. Lemelson*, both involve patents of the famed inventor Jerome Lemelson.

One important distinction between the two doctrines is that that prosecution laches is “party” particular, and inequitable conduct is not “party” particular. This means that a finding of prosecution laches renders a patent unenforceable only with regard to the defendant to the action, and not the public in general. On the other hand, a finding of inequitable conduct renders a patent unenforceable not only to the party to the action, but also to the public in general. Hence, the ramifications of a finding of inequitable conduct are more severe than a finding of prosecution laches.

#### II. ETHICAL DUTIES IMPLICATED

Not only the patentee, but also the attorney or agent prosecuting the patent application may face severe consequences associated with conduct satisfying the elements of prosecution laches.<sup>255</sup> All patent practitioners are obligated to practice under the guise of the PTO Code, and are subject to discipline for violations thereof. Several of the provisions of the PTO Code are potentially implicated by patent attorney or agent conduct that facilitates prosecution laches by unreasonably and unexplainably delaying patent prosecution.<sup>256</sup> 37 C.F.R. §

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<sup>255</sup> Lisa A. Dolak, *The Ethics of Delaying Prosecution*, 53 Am. U. L. Rev. 739, 771 (2004).

<sup>256</sup> *Id.* at 765.

10.18 requires that all documents filed in the PTO, except those that require the patent applicant's signature, be signed by the attorney or agent filing the document. In addition, Rule 10.18 requires that a paper being filed with the PTO must not be “presented for any improper purpose, such as to harass someone or to cause *unnecessary delay* or needless increase in the cost of prosecution before the Office.”<sup>257</sup> An attorney acting in a representative capacity for a patent applicant likely violates Rule 10.18 when engaging in conduct to delay the issuance of a patent, for example, by filing numerous continuation applications and/or responses to office actions that do not substantively advance prosecution, and filing petitions for extensions of time to respond to PTO office actions to delay patent issuance.

Another PTO Code provision potentially implicated by conduct amounting to prosecution laches is 37 C.F.R. § 10.39, which states in part that “[a] practitioner shall not accept employment on behalf of a person if the [attorney or agent knows] or it is obvious that such person wishes to (a) Bring a legal action . . . merely for the purpose of harassing or maliciously injuring any other person.”<sup>258</sup>

Also under 37 C.F.R. § 10.85(a), an attorney or agent must not

(1) Initiate or defend any proceeding before the Office, assert a position, conduct a defense, delay a trial or proceeding before the Office, or take other action on behalf of the practitioner's client when the practitioner knows or when it is obvious that such action would serve *merely to harass or maliciously injure another* . . . [or] (8) Knowingly engage in other illegal conduct or conduct contrary to a Disciplinary Rule.<sup>259</sup>

For example, if the patent attorney or agent files a continuation application, or a response to an office action that presents claims that read on intervening products of an opposing party, and then brings an infringement action based upon these claims, it can be argued the attorney is knowingly harassing another person in violation of Rule 10.39(a) and Rule 10.85(a).

The attorney or agent must balance these PTO Code rules potentially implicated by delay tactics with their duty under 37 C.F.R. § 10.84 to represent a client zealously, and not intentionally fail to seek the lawful objectives of a client through reasonable available means permitted by law and the PTO

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<sup>257</sup> 37 C.F.R. § 10.18(b)(2)(i) (2004). (Signature and certificate for correspondence filed in the PTO) (emphasis added).

<sup>258</sup> 37 C.F.R. § 10.39(a) (1985). (Acceptance of employment)

<sup>259</sup> 37 C.F.R. § 10.85 (a)(1), (8) (1985). (Representing a client within the bounds of the law) (emphasis added).

Code.<sup>260</sup> Hence, an attorney or agent must be aware of circumstances where a client is seeking to maintain or extend application pendency for the purpose of monitoring and responding to marketplace developments by adding new or amended claims, and especially where another party has established intervening rights.

Lastly, the conduct of an attorney or agent may be sufficiently egregious such that both the defenses of inequitable conduct and prosecution laches may be implicated. For example, when an attorney files a paper or response with the PTO, under Rule 10.18, he or she is certifying that it is not being interposed for delay purposes. If the attorney in fact intends to delay prosecution with the filing, he would be making a misrepresentation to the PTO. It is unlikely that the filing of a single paper or response to delay prosecution would rise to the level of being material to patentability, however, if the attorney files a series of papers or responses all with the intent of delaying prosecution, the misrepresentation may be sufficient to satisfy the threshold level of materiality required for inequitable conduct. The second element of intent to deceive the PTO would also be satisfied via the misrepresentation to the PTO for the purpose of filing the papers, and also the violation of a rule of the PTO Code (Rule 10.18). Hence, an unreasonable and unexplainable delay in prosecuting a patent application may implicate both the doctrines of inequitable conduct and prosecution laches under which the PTO may deny the applicant the right to a patent. Moreover in a litigation context after patent grant, if a delay in prosecution material prejudices a third party or the public general, and the patentee sues for patent infringement based on claims resulting from an unreasonable and unexplainable delay in prosecution, the third party may plead not only the defense of prosecution laches, but also the defense of inequitable conduct to render the patent unenforceable.

In sum, the patent attorney or agent must be aware of the PTO code, and avoid a situation where he or she intentionally and knowingly causes unreasonable delay in prosecution for his client that may violate a disciplinary rule of the PTO code, and potentially implicate the attorney of a charge of inequitable conduct.

### III. CONCLUSION

This paper has provided an overview of the doctrines of inequitable conduct and prosecution laches, the potential impact of these doctrines in the context of both patent preparation/prosecution and litigation, and suggestions

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<sup>260</sup> 37 C.F.R. § 10.84 (1985). (Representing a client zealously).

for avoiding these doctrines when preparing and prosecuting patent applications before the PTO. Both doctrines share the common principle that “in the face of equitable defenses, a patentee's obligations do not necessarily stop with statutes and regulations.”<sup>261</sup> “One can only speculate as to whether there is any deliberate relation between the Federal Circuit’s reinvigoration of prosecution laches” and its continued expansion of the scope of inequitable conduct as defenses to patent infringement.<sup>262</sup> It is clear from recent decisions, that the CAFC has the power to chart its own course in matters of equity when remaining within the bounds of Supreme Court precedent.

A patent attorney must fully understand and appreciate these two doctrines to adequately represent his clients, and to protect against malpractice claims. An attorney must also comply with these doctrines to uphold his ethical obligation to the Patent Bar, and avoid potential disciplinary action. The attorney must avoid being pressured by clients to compromise his ethical duties. No client is worth the risk to one's personal integrity, reputation, and license to practice before the Bar. The patent attorney must be astute in identifying when the doctrines of inequitable conduct and prosecution laches could be potentially implicated, and to proactively resolve potential issues. The author hopes that this paper will serve as a useful reference for patent attorneys on the dangers of these two doctrines and how to avoid them.

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<sup>261</sup> Nemeč, *supra* n. 242, at 1196.

<sup>262</sup> *Id.* at 1196-97.