
TO DISCLOSE OR NOT TO DISCLOSE: DUTY OF CANDOR
OBLIGATIONS OF THE UNITED STATES AND FOREIGN PATENT
OFFICES

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INTRODUCTION

Imagine a small-time inventor in Anytown, U.S.A., who invents a new widget for his widget factory and soon after files a U.S. patent application. One day, leafing through the stack of trade magazines on his desk, he reads an article he thinks is relevant to his invention. He wonders if he should send the article to the United States Patent & Trademark Office (USPTO).¹ He has filed patent applications before, and normally he sends lists of all relevant references to patent examiners for their review. However, his patent attorney recently told him something that surprised him—the USPTO changed its information disclosure rules. Now if applicants submit more than twenty prior art references, the USPTO will require detailed additional information for all references submitted. Moreover, any references longer than twenty-five pages also require additional disclosure, as do any non-English documents.

This inventor believes the article is highly relevant to his invention, but truly does not believe it is “material.”² Normally, he would submit this reference to the USPTO regardless because he believes it is always better to be safe than sorry when it comes to information disclosure obligations, and it is best to let the patent examiner decide if something is material to patentability. However, he already sent twenty references to the USPTO, and if he sends this one too then he will have to pay his attorney to review, analyze, and write relevancy statements for all twenty-one references!

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1. The USPTO is a federal agency of the United States within the Department of Commerce. 35 U.S.C. § 1 (2000).

2. To qualify as “material,” a reference must meet the criteria set forth in 37 C.F.R. § 1.56(b) (2006). Relevancy alone does not constitute materiality.

When he was at a widget convention, his fellow widget manufacturers told him these relevancy statements rack up huge legal bills. He could try writing the relevancy statements himself, but he also heard horror stories from manufacturers who tried this in the past and lost their patents because they inadvertently mischaracterized the relevancy of the references. Besides, when is he going to find time to analyze references when he has a factory to run?

A year later, this inventor files a corresponding European patent application. He knows that European examiners are usually pretty good at finding references, and he thinks they might find the article that he never submitted to the USPTO. If this happens, he decides he will submit the European search report to the USPTO and get the article reviewed “for free” because no relevancy statements are required when submitting foreign search reports. The European search examiner never finds the article, but the European examiner in charge of substantive examination learns of the article after seeing it referenced in the background section of one of the patents included in the search report. The examiner cites the article in an Office action as the basis for a lack of novelty objection.

The inventor has a corresponding patent application pending in India. His patent attorney told him that India now requires disclosure of references cited by foreign patent offices, even those cited in office actions; he submits the article identified by the European examiner to the Indian Patent Office to comply with this obligation. However, he does not submit this reference to the USPTO because it was not cited in the any search reports, and therefore he would still have to submit statements of relevancy. Besides, he still does not feel it is material.

Years pass, and the USPTO finally grants his patent. A few months later, his competitor across the street begins selling identical widgets. The inventor is furious, and sues for patent infringement. The infringers, however, wave his U.S., European, and Indian patent file wrappers³ in the air. Why, they ask, after the European patent examiner found this key reference, did you disclose the article to the Indian Patent Office, but not to the USPTO? The inventor’s response that he did not believe the article was “material” seems weak in light of his disclosure to India. The infringers

3. 5B DONALD S. CHISUM, CHISUM ON PATENTS: A TREATISE ON THE LAW OF PATENTABILITY, VALIDITY AND INFRINGEMENT § 18.05 (2007) (“The ‘file wrapper’ or ‘prosecution history’ of a patent is the record of proceedings in the Patent and Trademark Office (PTO) on the application upon which the patent was issued. . . . [a]fter a patent issues (or, under some circumstances after an application is published), the prosecution history (file wrapper) is open to public inspection. It is common practice for the file wrapper (prosecution history) to be introduced into evidence in an infringement trial. The practice is an old one.”).

allege that the inventor had a clear intent to deceive the USPTO, and the Federal Circuit is left to decide whether the accused infringers' defense of inequitable conduct is strong enough to render the widget patent unenforceable.

This nightmarish vision of a new breed of inequitable conduct cases is not a reality—yet. The USPTO has not codified its proposed new duty of disclosure requirements.⁴ However, this hypothetical situation highlights potential problems U.S. applicants may face in light of the ever-changing U.S. and foreign duty of candor requirements.

This note discusses U.S. and foreign duty of candor obligations, and the patent infringement defense of inequitable conduct. Part I provides background information about the current U.S. duty of candor requirements. Part II outlines the USPTO's proposed new disclosure requirements. Part III reviews the patent infringement defense of inequitable conduct and examines three Federal Circuit cases that discuss this defense. Part IV provides an overview of certain foreign duty of candor laws, and considers their effect on U.S. duty of candor obligations. Part V considers solutions for improving the U.S. prior art submission and examination processes. Ultimately, this note concludes that the USPTO's proposed Rules are overly burdensome to patent applicants, and that other, less onerous solutions exist to remedy the problem of prior art over-disclosure.

I. DUTY OF CANDOR TO THE USPTO

This Part discusses the U.S. duty of candor requirements.⁵ Part I.A provides background information about U.S. patent applicants' duty of candor to the USPTO. Part I.B explains the materiality standard for prior art submitted pursuant to the duty of candor. Part I.C describes some problems U.S. applicants face under the current duty of candor obligations.

4. Changes to Information Disclosure Statement Requirements and Other Related Matters, 71 Fed. Reg. 38808 (proposed July 10, 2006) [hereinafter *Rules*].

5. See 1 CHISUM, *supra* note 3, at G1-7 (defining duty of candor as follows: "An applicant for a patent is under a duty of candor in connection with the examination of his application. The duty is violated by either a positive misrepresentation or an omission that is misleading under the circumstances, provided that the misrepresentation or omission was material to the question of patentability and the result of bad faith or gross negligence. The culpable act may relate to (1) an item of prior art which the applicant knows to be more relevant than that considered by the examiner, (2) existence of a possible statutory bar, (3) facts on the applicant's own date of invention, or (4) testing and other factual evidence offered to support patentability. Breach of the duty renders the whole patent unenforceable or is grounds for striking an application. It may also justify an award of attorneys fees or an antitrust damage award.").

A. Background

U.S. patent applicants⁶ must act with candor, good faith, and honesty during patent prosecution with the USPTO.⁷ One of the most important aspects of this duty of candor is that U.S. patent applicants must provide the USPTO with all material prior art known to them.⁸ Prior art includes all references useful for determining the novelty and non-obviousness of a patent applicant's claimed subject matter.⁹ A reference qualifies as prior art if it is relevant to the applicant's invention and pre-dates it.¹⁰ Because a patent is presumed valid,¹¹ one of the USPTO's most important functions is to ensure it does not grant a patent on subject matter already known or used by others.¹²

Since 1977, U.S. patent applicants have had the affirmative duty of good faith and candor to disclose information "material to patentability" to the USPTO.¹³ 37 C.F.R. § 1.56 ("Rule 56") sets forth disclosure requirements, and emphasizes the public policy behind such duty: "A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability."¹⁴ Likewise, the pub-

6. The duty of candor and good faith is not limited to just the patent applicants; it extends to "[e]ach individual associated with the filing and prosecution of a patent application." 37 C.F.R. § 1.56(a) (2006). These individuals include inventors, patent attorneys, agents, and any person substantively involved in the preparation or prosecution of the application. 37 C.F.R. § 1.56(c) (2006).

7. "Applicants for patents are required to prosecute patent applications in the PTO with candor, good faith, and honesty." *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995) (citing *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 818 (1945)).

8. 37 C.F.R. § 1.56(a) (2006).

9. 1 CHISUM, *supra* note 3, at G1-18; *see also* USPTO, U.S. DEP'T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE, § 2001.04 (8th ed. 2001) [hereinafter MANUAL OF PATENT EXAMINING PROCEDURE] (explaining that 37 C.F.R. § 1.56 includes information about potential public uses, sales, offers to sell, derived knowledge, prior invention by another, and inventorship conflicts).

10. Or more than one year prior to the date of an applicant's patent application for statutory bars. 1 CHISUM, *supra* note 3, at G1-18.

11. 35 U.S.C. § 282 (2000).

12. David Hricik, *Aerial Boundaries: The Duty of Candor as a Limitation on the Duty of Patent Practitioners to Advocate for Maximum Patent Coverage*, 44 S. TEX. L. REV. 205, 219-20 (2002) ("[T]he essential purpose of the Patent Office is to uncover what others had known or used before the applicant conceived of his invention and determine whether the applicant's invention as described in the claims of his application is patentably distinct from prior inventions.").

13. 37 C.F.R. § 1.56 (1977); *see also* H.R. 2795, 109th Cong. § 5 (2005) (amending Chapter 12 of 35 U.S.C. by adding new § 136 entitled "Duty of candor: patents and applications for patent").

14. 37 C.F.R. § 1.56(a) (2006).

lic interest is harmed if applicants fail to disclose all prior art references because unexamined material art can result in undeserved patents.¹⁵

B. Materiality

The USPTO requires applicants to disclose information material to the patentability of each pending claim.¹⁶ The determination of materiality, however, is part art, part science. In its 1977 Rules,¹⁷ the USPTO created the “reasonable examiner” standard, under which information is material to patentability when there is a “substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.”¹⁸

In 1992, the USPTO amended Rule 56 to “provide greater clarity and hopefully minimize the burden of litigation on the question of inequitable conduct before the Office, while providing the Office with the information necessary for effective and efficient examination of patent applications.”¹⁹ The following materiality standard now applies to all applications pending or filed after March 16, 1992:

[I]nformation is material to patentability when it is not cumulative to information already of record or being made of record in the application, and (1) It establishes, by itself or in combination with other information,

15. That is, because “[i]nnovation and technological advancement are best served when an inventor is issued a patent with the scope of protection that is deserved.” Duty of Disclosure, Reply to Comment 2, 57 Fed. Reg. 2021, 2023 (Jan. 17, 1992).

16. 37 C.F.R. § 1.56(a) (2006).

17. Prior to 1977, the courts used “objective but for,” “subjective but for,” and “but it may have” standards of materiality to determine how a prior art reference affected the patentability of the invention itself, or the examiner’s assessment of patentability. See 6 CHISUM, *supra* note 3, § 19.03[3][a] (explaining the three different materiality tests as follows: “[A] finding of fraud is warranted if but for the misconduct of the patent applicant the patent would not properly have issued. This is what has been referred to as an ‘objective but for test’ . . . The second ‘but for’ test is the so-called ‘subjective test.’ This test requires a court to examine the effect which fraudulent representations had upon the examiner. If misrepresentations caused the examiner to issue the patent, then this kind of ‘but for fraud’ will be found. . . . The final ‘but for’ test has been labeled the ‘but it may have’ test, i.e., courts look to whether the misrepresentations made in the course of the patent prosecution may have had an effect on the examiner.”) (citing *In re Multidistrict Litig. Involving Frost Patent*, 398 F. Supp. 1353, 1368–69 (D. Del. 1975)); see also James Cronin, *Inequitable Conduct and the Standard of Materiality: Why the Federal Circuit Should Use the Reasonable Patent Examiner Standard*, 50 ST. LOUIS U. L.J. 1327, 1337 (2006).

18. Patent Cases: Examining and Appeal Procedures, 42 Fed. Reg. 5593 (Jan. 28, 1977); see also Kevin Mack, Note, *Reforming Inequitable Conduct to Improve Patent Quality: Cleansing Unclean Hands*, 21 BERKELEY TECH. L.J. 147, 153–54 (2006) (explaining that the Patent Office derived the “reasonable examiner” definition of materiality from the Supreme Court’s interpretation of materiality in securities fraud).

19. Duty of Disclosure, 57 Fed. Reg. 2021, 2023 (Jan. 17, 1992). See generally Rene D. Tegtmeyer, *A Refocusing on Inequitable Conduct in New Rule 56*, 20 AIPLA Q.J. 191 (1992) (discussing the impact of the 1992 Rule 56 change).

a prima facie case of unpatentability of a claim;²⁰ or (2) It 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.²¹

C. Problems with Current Disclosure Requirements

Applicants and their lawyers face three main problems when disclosing information to the USPTO under Rule 56. First, if they disclose a long list of references they risk being accused of “burying”²² prior art if they do not highlight the especially relevant citations:²³

[W]hen an IDS includes several documents of marginal relevance, combined with other evidence suggesting that the marginally relevant information was submitted with the intent to obscure material information this may run afoul of the duty of candor and good faith set forth in § 1.56(a). In such circumstance, an inference that the applicant or their representative attempted to cover up or conceal a material reference could be drawn.²⁴

Second, if applicants write statements of relevancy for certain references to avoid allegations of “burying,” they may inadvertently mischaracterize or misrepresent the relevancy. Third, if they do not disclose relevant references, they can face charges of inequitable conduct for failing to disclose prior art.²⁵

20. 37 C.F.R. § 1.56(b) (2006) (“A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.”).

21. 37 C.F.R. § 1.56(b) (2006). *See also* 6 CHISUM, *supra* note 3, § 19.03[3][a] (citing *Molins PLC v. Textron, Inc.*, 48 F.3d 1172 (Fed. Cir. 1995)) (noting that this materiality standard is prospective only).

22. David Hricik, *Where The Bodies Are: Current Exemplars of Inequitable Conduct and How to Avoid Them*, 12 TEX. INTELL. PROP. L.J. 287, 301 (2004) (“‘Burying’ is the submission of a highly material reference in a long list of less relevant references in the hopes that the examiner will not notice the material reference.”) (quoting Margaret A. Boulware & Tamsen Valoir, *Inequitable Conduct*, 619 PLI/PAT.1245, 1251 (2000)).

23. Currently applicants are not obligated to submit statements of relevancy for English language references—37 C.F.R. § 1.98(a)(3) pertains only to non-English language documents. 37 C.F.R. § 1.98(a) (2006); *see also* Tegtmeier, *supra* note 19, at 206 (recommending that applicants avoid providing concise explanations for English language references because of litigation concerns).

24. *Rules*, *supra* note 4, at 38809 (“[B]urying a particularly material reference in a prior art statement containing a multiplicity of other references can be probative of bad faith.”) (quoting *Molins*, 48 F.3d at 1184); *see also* MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2004 (“If a long list is submitted, highlight those documents which have been specifically brought to applicant’s attention and/or are known to be of most significance.”).

25. Hricik, *supra* note 12, at 234 n.113 (“In many respects, a lawyer is between a rock and a hard place. If he does not disclose references, they will later be argued to be more material than those that were disclosed. If he discloses them in one long list, the accused infringer will contend that he buried the wheat with the chaff.”); *see also* Tegtmeier, *supra* note 19, at 206 (citing the holding in *Penn Yan*

The current best practice for U.S. prior art disclosure is to err on the side of over-disclosure and submit all relevant references to the USPTO,²⁶ a practice previously encouraged by the USPTO.

If information is not material, there is no duty to disclose the information to the Office. The Office believes that most applicants will wish to submit the information, however, even though they may not be required to do so, to strengthen the patent and avoid the risks of an incorrect judgment on their part on materiality or that it may be held that there was an intent to deceive the Office.²⁷

Applicants routinely submit all references to the USPTO because the examiner, the technology expert, is presumed to have reviewed all references disclosed.²⁸ This is a strategically sound move by applicants because “[i]n reality, an applicant that submits the prior art for evaluation reduces the universe of prior art that can be used against the applicant later in litigation.”²⁹ If the applicant disclosed a reference, then the presumption is that the examiner reviewed it, which makes it difficult for accused infringers to use that same reference against the applicant as a basis for an inequitable conduct defense.

II. THE USPTO’S PROPOSED DUTY OF DISCLOSURE REQUIREMENTS

This Part discusses the U.S. duty of candor requirements. Part II.A provides some background information about the USPTO’s proposed rule changes to IDS requirements. Part II.B discuss details of the proposed Rules. Part II.C discusses how the proposed Rules would affect U.S. patent

Boats, Inc. v. Sea Lark Boats, Inc. as a warning against burying); Shashank Upadhye, *Liar Liar Pants on Fire: Towards A Narrow Construction for Inequitable Conduct as Applied to the Prosecution of Medical Device and Drug Patent Applications*, 72 UMKC L. REV. 669, 715 (2004) (“It is also axiomatic that in close calls of relevance and materiality, the applicant should err on the side of disclosure.”).

26. Robert A. Migliorini, *Lessons for Avoiding Inequitable Conduct and Prosecution Laches in Patent Prosecution and Litigation*, 46 IDEA 221, 233 (2006) (“Disclose to the PTO any prior art that is questionable of being cumulative to information already of record. 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.”) (citations omitted).

27. Duty of Disclosure, Reply to Comment 3, 57 Fed. Reg. 2021, 2023 (Jan. 17, 1992); see also MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2004 (“[W]hen in doubt, it is desirable and safest to submit information. Even though the attorney, agent, or applicant doesn’t consider it necessarily material, someone else may see it differently and embarrassing questions can be avoided.”).

28. “When a reference was before the examiner, whether through the examiner’s search or the applicant’s disclosure, it cannot be deemed to have been withheld from the examiner.” *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1185 (Fed. Cir. 1995) (quoting *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1582 (Fed. Cir. 1991)).

29. Upadhye, *supra* note 25, at 715 (“[D]uring invalidity litigation, the infringer will rarely try to invalidate the patent based solely on the prior art already before the Examiner because the Examiner, a presumed expert in the prior art, issued the patent over that art.”).

applicants, and Part II.D describes how the proposed Rules would affect U.S. patent attorneys and agents.

A. Background

On July 10, 2006 the USPTO proposed new rule changes for information disclosure statement (IDS) requirements to “enable the examiner to focus on the relevant portions of submitted information at the very beginning of the examination process, give higher quality first actions, and minimize wasted steps.”³⁰ These changes, if adopted, will force patent applicants and practitioners to walk ethical tightropes where the slightest misstep will cause precipitous falls into allegations of inequitable conduct and malpractice.

According to the USPTO’s “vision” statement, “[t]he USPTO will lead the way in creating a quality-focused, highly productive, responsive organization supporting a market-driven intellectual property system for the 21st Century.”³¹ The issue of prior art disclosure is central to this vision of increased quality and productivity. While applicants’ duty of candor to disclose all prior art should increase U.S. examiners’ productivity by helping to identify key references, the USPTO has found that applicants sometimes hamper examiners by providing voluminous references, often of marginal relevance.³² The USPTO asserts that this overburdens its small number of patent examiners³³ and leads to long examination delays.³⁴ Therefore, the USPTO states that the time has come for patent applicants to help “ease the burden on the Office associated with the examiner’s consideration of the information.”³⁵

30. *Rules, supra* note 4, at 38808.

31. USPTO, *Our Business: An Introduction to the USPTO*, <http://www.USPTO.gov/web/menu/intro.html> (last visited Oct. 18, 2007).

32. Press Release, USPTO, *USPTO Requesting More Timely and Useful Information from Patent Applicants*, (July 10, 2006), available at <http://www.uspto.gov/web/offices/com/speeches/06-41.htm>.

33. There are approximately 3,100 patent examiners for the more than 300,000 patent applications the Office receives each year. Hricik, *supra* note 12, at 227 (citing S. Jay Plager, *Challenges for Intellectual Property Law in the Twenty-First Century: Indeterminacy and Other Problems*, 2001 U. ILL. L. REV. 69, 75–76).

34. See John Doll, Commissioner for Patents, Chicago Town Hall Meeting (Feb. 1, 2006), slides available at <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/chicagoslides.ppt> (demonstrating that if patent application submissions continue at the current rate, the pendency for first Office actions will increase to 46 months for computer task management, 38–47 months for medical instruments and diagnostic equipment, and 111 months for interactive video distribution).

35. *Rules, supra* note 4, at 38809.

B. Overview of Rules

Under the new Rules, U.S. patent applicants must provide “[a]dditional disclosure,”³⁶ hereinafter referred to as “relevancy statements,” for English documents longer than twenty-five pages,³⁷ and non-English documents of any length.³⁸ The new Rules also require relevancy statements if applicants submit more than twenty references in total.³⁹ This additional disclosure must “identify information in each document that is relevant to the claimed invention or supporting specification.”⁴⁰ Mere statements by applicants that entire documents are relevant will not comply with the additional disclosure requirement, and may result in the examiner’s refusal to even consider the application unless the “applicant establishes such fact by sufficient recitation of examples from the document.”⁴¹

Moreover, such descriptions must be non-cumulative: “the currently cited document must include a teaching, showing or feature not provided in other documents of record, and the non-cumulative description must point this out.”⁴² For documents submitted after a first Office action⁴³ on the merits, the applicant must “provide a non-cumulative description as well as an explanation, or copy of a recently issued foreign search or examination report, for each document submitted after a first Office action on the merits.”⁴⁴ If an IDS is filed after a Notice of Allowability or Allowance, then the applicant must meet even higher standards of disclosure.⁴⁵

36. *Id.* at 38813 (regarding proposed amendment to 37 C.F.R. § 1.98(a)(3)).

37. *Id.* (regarding proposed amendment to 37 C.F.R. § 1.98(a)(3)(i)(B), whereby drawing sheets and cover sheets count toward the twenty-five page limit, but sequence listings and computer program listings do not).

38. *Id.* (regarding proposed amendment to 37 C.F.R. § 1.98(a)(3)(i)(A)). Note that just because the abstract may be in English does not make the document an “English language document” for the purposes of this section.

39. *Id.* (applies to references submitted in one or more IDSs prior to the first Office action on the merits). Also, documents submitted in reply to a requirement for information, or resulting from a foreign search or examination report, do not count toward the twenty-document limit. *Id.* at 38814.

40. *Id.* at 38810 (regarding proposed amendment to 37 C.F.R. § 1.98(a)(3)(iv) requiring “an identification of at least one portion causing the document to be cited, including a specific feature, showing, or teaching, and correlation to specific claim language, or where correlation to claim language is not possible, correlation may be made to a specific portion of the supporting specification”). *Id.* at 38813.

41. *Id.* at 38814.

42. *Id.* at 38810 (defining non-cumulative as a description “that describes a disclosure in the cited document that is not present in any other document of record.”).

43. An Office action is “a letter from a [patent examiner] setting forth the legal status of a [patent] application.” United States Patent and Trademark Office, Glossary, <http://www.uspto.gov/main/glossary/index.html> (last visited Oct. 19, 2007).

44. *Rules*, *supra* note 4, at 38810.

45. *Id.*

C. *How Proposed Rules Affect Applicants*

The USPTO believes that the twenty-reference threshold best balances its interests with those of patent applicants.⁴⁶ It reviewed a sample of allowed patent applications and found that eighty-five percent of the applications cited twenty or fewer references, and eighty-one percent of applications cited fifteen or fewer references.⁴⁷ If these percentages are correct, one wonders how the USPTO can be overburdened, when less than twenty percent of patent applicants submitted more than twenty references? However, the USPTO skirts this productivity issue, arguing that if less than twenty percent of applicants are submitting more than twenty documents, then the new thresholds will not affect most applicants.⁴⁸ Patent applicants and practitioners, however, question the accuracy of this sampling data and have requested that the USPTO further analyze the number of references submitted per technology area.⁴⁹

For reference-rich technical areas, a twenty-document threshold is significantly burdensome to applicants.⁵⁰ Identifying material references requires time, effort, and expense, and for crowded technical fields there almost certainly will be more than twenty material references. Summarizing all references following the Patent Office's fact-specific additional disclosure requirement will be a Herculean task.⁵¹ The new relevancy state-

46. *Id.*

47. *Id.* at 38809–10 (the sample included 3,084 applications from small entities and 9,469 from large entities covering a six week period of allowed applications).

48. *Id.* at 38810 (“It should be noted that a threshold of twenty documents for IDSs submitted prior to a first Office action on the merits would not require a change in practice for most applications. The Office expects that more than eighty-five percent of IDSs filed prior to first Office action on the merits would not require any explanation because the threshold number only applies to IDSs filed prior to first Office action and has certain exceptions, while the above-mentioned survey included all IDSs filed throughout the entire prosecution of the application with no exceptions.”).

49. The Intellectual Property Owners Association (IPO), a U.S. trade association of more than 200 companies and 8,500 individuals, recommended that the USPTO further analyze the number of references submitted per art unit. Letter from Marc S. Adler, President, Intellectual Property Owners Association, to Jon W. Dudas, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, at 2 (Sept. 27, 2006), available at [http://www.ipo.org/AM\(select “Law, Policy & Advocacy” hyperlink, then “Board Resolutions and Position Statements”; select “IPO Position Statements,” then “IPO Comments on Information Disclosure Statement \(IDS\) Requirements, 09/27/2006”\)](http://www.ipo.org/AM/select%20Law,%20Policy%20&%20Advocacy%20hyperlink,%20then%20Board%20Resolutions%20and%20Position%20Statements%20%3B%20select%20IPO%20Position%20Statements,%20then%20IPO%20Comments%20on%20Information%20Disclosure%20Statement%20(IDS)%20Requirements,%2009/27/2006).

50. *Id.* at A-i. The IPO recognizes the biotechnology and computer fields as especially “crowded fields” with many prior art patents or scholarly articles. *Id.*

51. *Id.* at A-vi (“The actual costs of the rule package are likely to be much greater than suggested in the rule proposal. The costs appear to reflect the time an Examiner might spend on such an analysis. Applicant will need to spend more time because: a) An examiner is allowed to be wrong. An applicant must be 100 percent right. b) As noted in the PTO’s public forum in April in New York, examiners have no liability and face no repercussions for being wrong. On the other hand, if an applicant makes an incorrect concession in an IDS discussion, the patentee will be bound by that admission. If an applicant admits too little, the patentee faces charges of inequitable conduct. The IDS discussion that the Office proposes will require great care, and some IPO members have asserted in may take up to 30 hours *per*

ment requirement for documents longer than twenty-five pages is similarly onerous. The length of relevant prior art documents is not within the applicant's control. Although the USPTO encourages applicants to submit portions of references in order to stay within the twenty-five page threshold,⁵² this practice will place patentees in the unenviable position of having to explain why they "selected out" arguably material information if a patent infringer raises an inequitable conduct defense.⁵³

The new "additional disclosure" requirement is really the pre-1992 "relevancy statement" on steroids.⁵⁴ In 1992, the USPTO took pains to explain how the elimination of the 1977 statements of relevancy requirements would improve the information disclosure process: "[T]he new rules will actually facilitate the filing of information since the burden of submitting information to the Office has been reduced by eliminating, in most cases, the requirement for a concise statement of the relevance of each item of information listed in an information disclosure statement."⁵⁵

The current proposed Rules not only reinstate the 1977 relevancy statements, but also greatly expand the required level of detail. Now, to justify IDS submissions, applicants must identify a "specific feature, showing, or teaching" that caused them to cite the reference and correlate such feature, showing, or teaching to specific claim language or support in the specification.⁵⁶ Depending on the timing of the disclosure, applicants may also have to write a "non-cumulative description" about why the reference is not merely cumulative by explaining what teaching, showing, or feature

reference. If the average application subject to the rule has 30 references, an average response could take about two months of full time work to prepare, and could reach a cost of \$200,000. If the rule is applied to 10,000 applications per year, the cost could be over one billion dollars. The USPTO states no basis for its 'Estimated Time Per Response' of '1.8 minutes to 12 hours' per application.").

52. *Rules, supra* note 4, at 38813 ("Applicant is permitted to submit only a portion of a document and is encouraged to do so where that portion can be considered without further context and is the only portion that is relevant to the claimed invention.").

53. Adler, *supra* note 49, at A-iv to A-v ("Applicants have no control of the size of the documents that end up being submitted in an IDS. In particular, patent documents are routinely more than 25 pages in some technologies. Although applicants are permitted and encouraged by the Office to submit only portions of documents to avoid submitting documents over 25 pages, such selective submission will almost certainly result in increased charges of inequitable conduct during subsequent litigation. The selection of the 'relevant' portions of a document will in many cases be unclear and non-routine.").

54. Before the 1992 amendments, 37 C.F.R. § 1.98 required "a concise explanation of the relevance of each listed item." 37 C.F.R. § 1.98 (1984).

55. Duty of Disclosure, Reply to Comment 4, 57 Fed. Reg. 2021, 2024 (Jan. 17, 1992); *see also* Tegtmeyer, *supra* note 19, at 196 (commenting that the 1992 change to no longer require explanations of relevancy for English language documents removed a "tremendous pitfall" for applicants who might inadvertently mischaracterize prior art, or who might be accused of submitting incomplete statements if every related feature was not included in the explanation).

56. *Rules, supra* note 4, at 38810.

is not provided in other documents of record.⁵⁷ The USPTO further warns that it expects “meaningful compliance” with these requirements, and applicants must include a “level of specificity commensurate with specifics of the feature(s), showing(s), or teaching(s) which caused the document to be cited.”⁵⁸ This requirement shifts the responsibility of analyzing references from the USPTO to the applicants and their representatives. Although the USPTO suggests creating a “safe harbor” for applicants using good faith efforts to disclose material prior art,⁵⁹ the Intellectual Property Owners Association (IPO) correctly points out that courts would not be bound by this proposed safe harbor unless enacted by statute.⁶⁰ The reallocation of burdens will increase applicants’ costs because their attorneys will have to craft intricate explanations of relevancy, a process certain to be time-intensive.⁶¹

Finally, applicants risk “giving up” patentable subject matter if they do not meticulously write their additional disclosure statements for references submitted in Information Disclosure Statements. Under the doctrine of prosecution history estoppel, also called file-wrapper estoppel, applicants can “surrender” patentable subject matter in their arguments to the USPTO during prosecution, and are estopped from later trying to recapture that same subject matter when enforcing the patent.⁶² For example, let’s

57. *Id.* Such “non-cumulative description” is required after a first Office action and after allowance.

58. *Id.* at 38821 (“These explanations must not be *pro forma* types of explanations. The non-cumulative descriptions . . . of this section must be significantly different so as to point out why the cited document is not merely cumulative of any other information currently being filed, or previously of record.”); accord USPTO, EXECUTIVE SUMMARY: INFORMATION DISCLOSURE STATEMENT NOTICE OF PROPOSED RULEMAKING (2006), <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/focuspp.html> (follow “IDS Practice” hyperlink; then follow “Executive Summary” hyperlink).

59. *Rules, supra* note 4, at 38811–12 (describing proposed § 1.56(f) creating a “safe harbor” for patent applicants who used good faith efforts in complying with duty of disclosure requirements). Some take a dim view of this safe harbor:

The Notice indicates at several points that an essential *quid pro quo* for the entire rule package is the creation of a “safe harbor” for an individual that states that he or she “acted in good faith to comply with the disclosure requirements by having a reasonable good faith basis,” (proposed 37 C.F.R. § 1.56(f)), and that “the Office is hopeful that a court in deciding a duty of disclosure issue will take the proposed safe harbor into account.” The Notice identifies no basis for the USPTO’s “hope.” It is expected that in a litigation situation, one party will likely share the USPTO’s “hope,” while the opposing party is likely to have a different “hope.”

Adler, *supra* note 49, at A-iv.

60. Adler, *supra* note 49, at 2 (“Although the USPTO suggests creation of a ‘safe harbor’ for good faith efforts, this safe harbor would not be binding on the courts absent legislation. IPO believes that a legislative change needs to precede such a substantive change to current rules.”).

61. *Id.* at A-vi.

62. See *Watts v. XL Sys., Inc.*, 232 F.3d 877, 883–84 (Fed. Cir. 2000) (holding that the patentee limited his invention in part by arguments made during prosecution to distinguish the primary reference); Scott D. Anderson, Comment, *Inequitable Conduct: Persistent Problems and Recommended Resolutions*, 82 MARQ. L. REV. 845, 863 n.131 (1999) (“Prosecution history estoppel, or ‘file wrapper estoppel,’ is a defense to infringement by equivalency where the patentee makes statements or admis-

say our widget manufacturer invented a widget that automatically tightens screws on an assembly line, and the patent examiner cited two prior art patents as a basis for lack of novelty—a wrench patent and a pliers patent. If our widget manufacturer specifically argues in his response to the examiner that his widget invention is completely unlike the wrench and pliers patents cited against him because it is for automated use, not manual, then despite the fact that the scope of his claims encompasses any tightening action, he has expressly disclaimed manual use. If the patent issues, he cannot later try to argue that his widget is patent protected as a manual tightening device, even if the widget has this capability: “[P]rosecution history estoppel precludes a patentee from obtaining under the doctrine of equivalents coverage of subject matter it relinquished—whether by amendment of claims or by arguments made to obtain allowance of claims—during prosecution of its application.”⁶³ The widget manufacturer is estopped from asserting a claim scope that contradicts arguments he made during prosecution.

In this way, patent prosecution history estoppel is the Miranda warning of patent law—anything the widget inventor says during his arguments to the USPTO can and will be held against him.⁶⁴ The IPO notes this danger in its Comments on Proposed Changes to IDS Requirements when re-

sions during patent prosecution that limits the scope of a claim. By explaining the relevance of a disclosed prior art, the applicant, arguably, is stating what his invention is not.”); Upadhye, *supra* note 25, at 716; *see also* Abbott Labs. v. Dey, L.P., 287 F.3d 1097, 1103 (Fed. Cir. 2002) (“[E]ven if the claim limitation has not been amended, an argument-based estoppel may nevertheless arise based on statements made by the applicant during prosecution.”); 1 CHISUM, *supra* note 3, at GI-9 (defining file wrapper estoppel: “A patent owner may not expand a claim through liberal construction or application of the doctrine of equivalents so as to recapture subject matter deliberately surrendered by amendment or argument during the course of the examination proceedings in the Patent and Trademark Office. The owner is ‘estopped’ from adopting a broad construction to establish infringement after urging a narrow one to obtain the claim in the first place.”). *See generally* Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722 (2002), the seminal U.S. Supreme Court case that examined the principles of the doctrine of equivalents and prosecution history estoppel.

63. Abbott Labs. v. Dey, L.P., 287 F.3d 1097, 1104 (Fed. Cir. 2002) (quoting Abbott Labs. v. Dey, L.P., No. 00-C-1725, 2001 WL 558142, at *2 (N.D. Ill. May 21, 2001); *accord* Pharmacia & Upjohn Co. v. Mylan Pharms., Inc., 170 F.3d 1373, 1376–77 (Fed. Cir. 1999) (“Prosecution history estoppel precludes a patentee from obtaining under the doctrine of equivalents coverage of subject matter that has been relinquished during the prosecution of its patent application. A number of activities during prosecution may give rise to prosecution history estoppel, including arguments made to obtain allowance of the claims at issue. For an estoppel to apply, such assertions in favor of patentability must ‘envince a clear and unmistakable surrender of subject matter,’ not an ‘equivocal’ one. To determine what subject matter has been relinquished, an objective test is applied, inquiring ‘whether a competitor would reasonably believe that the applicant had surrendered the relevant subject matter.’”) (citations omitted).

64. Conversation with Ira Finkelstein, Patent Counsel, Baxter Healthcare Corp., in Deerfield, Ill. (2007).

ferring to the proposed § 1.98(a)(3)(iv)(B) correlation requirement:⁶⁵ “Correlation of references to claims will constitute an admission on the part of the applicant, and it will serve as a limiting prosecution history statement.”⁶⁶ This concern is justified because the proposed Rules only permit applicants to disclose material references. Therefore, any act of disclosure has an inherent admission of materiality. “Although the proposal rules retain section 1.97(g), which states that disclosure does not admit materiality, the requirement that only relevant, non-cumulative art be disclosed appears to be in direct contradiction to this section.”⁶⁷

D. *How Proposed Rules Affect Patent Attorneys and Agents*

The new Rules will compromise patent attorneys. Attorneys must advocate for their clients, yet the new Rules require them to distinctly point out each and every correlation of relevancy between the cited references and their clients’ inventions. In doing so, they risk providing arguments to the examiner that can be used against their clients. The USPTO recognized this dilemma in the past—in 1992, the USPTO assured patent practitioners that it was not their role to analyze references:

One comment stated that the proposed § 1.56(b)(1) placed a burden on the practitioner to analyze references that is inappropriate and contradictory to a practitioner’s responsibility to his client . . . The rule itself does not place a burden on the practitioner to analyze references. Information can be submitted to the Office in accordance with §§ 1.97 and 1.98, and the examiner will consider the references.⁶⁸

Moreover, it is unclear where attorneys’ obligations end. In *Baxter International, Inc. v. McGaw, Inc.*, the Federal Circuit rejected Baxter’s argument that the importance of one element in a claim was sufficient to render the entire prior art reference immaterial if it lacked that element.⁶⁹

65. See *Rules*, *supra* note 4, at 38814 (“Section 1.98(a)(3)(iv)(B) would additionally require a correlation of the specific feature(s), showing(s), or teaching(s) identified pursuant to § 1.98(a)(3)(iv)(A) to specific corresponding claim language, or to a specific portion(s) of the specification that provides support for the claimed invention, where the document is cited for that purpose. Optionally, applicant may indicate any differences between the specific claim language and what is shown, or taught, in the document.”).

66. Adler, *supra* note 49, at 2.

67. *Id.*

68. Duty of Disclosure, Comment 26 and Reply, 57 Fed. Reg. 2021, 2026 (Jan. 17, 1992).

69. 149 F.3d 1321, 1328 (Fed. Cir. 1998) (“A difference in a single element, however important to the patented invention, is not automatically dispositive of the issue of materiality. . . . References lacking different elements are often combined to reject an application under 35 U.S.C. § 103. Simply because the [reference] lacked [the element] does not make it likely that a reasonable examiner would consider the reference unimportant in deciding whether to allow the patent.”); see 6 CHISUM, *supra* note 3, § 19.03[3][b] (discussing *Baxter*: “the Federal Circuit held that an uncited reference was not cumulative to a cited reference when the former lacked one claim limitation and the latter lacked two claim

Instead, the Federal Circuit held that “materiality is not analyzed in a vacuum. It is not dependent on a single element viewed in isolation. Rather, it is judged based upon the overall degree of similarity between the omitted reference and the claimed invention in light of the *other* prior art before the examiner.”⁷⁰ If a reference is not material itself, but could arguably be material if combined with other references, is it the patent attorney’s responsibility under the proposed Rules to combine these references for the patent examiner, and then point out the potential materiality? The proposed Rules provide no guidance for this quandary, but the USPTO’s prior assurance that patent attorneys need not analyze references is surely a thing of the past.

III. INEQUITABLE CONDUCT

This Part discusses the relationship between the USPTO’s duty of candor requirements and the patent infringement defense of inequitable conduct. Part III.A provides a brief overview of the inequitable conduct doctrine. Part III.B examines inequitable conduct charges based on mischaracterization of relevancy and analyzes the *LTI* case. Part III.C.1 examines inequitable conduct charges based on failure to disclose information. Part III.C.2 analyzes the *Molins* case as an example of failure to disclose a reference, and Part III.C.3 analyzes the *Dayco* case as an example of failure to disclose a rejection. Part III.D considers the future of the inequitable conduct defense in view of patent reform legislation.

A. Background

The inequitable conduct doctrine is judicially created.⁷¹ It has been used as a patent infringement defense since 1945,⁷² and is based on the

limitations. It rejected a patentee’s argument that the importance of a particular claim element was ‘alone. . . . sufficient’ to make a reference lacking that element non-material.”).

70. *Baxter*, 149 F.3d at 1328 (emphasis added).

71. See *Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1315 (Fed. Cir. 2006) (“The inequitable conduct doctrine, a judicially created doctrine, was borne out of a series of Supreme Court cases in which the Court refused to enforce patents whereby the patentees had engaged in fraud in order to procure patents. Although the Supreme Court did not articulate precisely what rendered a patent unenforceable, the courts generally tended to apply a doctrine somewhat akin to that of common law fraud, albeit broader. That is, courts required a showing that the information that was misrepresented to or withheld from the PTO was material and a showing of wrongfulness, such as deceptive intent, wilful misconduct, or gross negligence. In 1949, the PTO created its first version of Rule 56, prohibiting fraud before the PTO.”) (citations omitted).

72. Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L. & TECH. 37, 37 (1993).

equity principle that “he comes into equity must come with clean hands.”⁷³ This principle “[c]loses the doors of a court of equity to one tainted with inequity or bad faith relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant.”⁷⁴ If patent owners wish to enforce their patent rights and sue an infringer, they can do so only if their own hands are clean. However, spotless hands are not required: “‘equity does not demand that its suitors shall have led blameless lives’ . . . it does require that they shall have acted fairly and without fraud or deceit as to the controversy in issue.”⁷⁵ If fraud or deceit is found, then the accuser becomes the accused, because a successful defense of inequitable conduct will free the alleged infringer from wrongdoing, and the patent owner will either have one or more patents declared unenforceable,⁷⁶ or will be sanctioned in some other manner.⁷⁷

If the USPTO adopts the new disclosure Rules, the number of patent infringement appeals based on the inequitable conduct defense will increase. Because inequitable conduct has often been referred to as a

73. Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 814 (1945).

74. *Id.*

75. *Id.* at 814–15 (1945) (quoting Loughran v. Loughran, 292 U.S. 216, 229 (1934)).

76. Applicants may find that if the omitted prior art was material not only to their base patent, but also to their continuation applications well, then those applications can also be found unenforceable through the theory of “infectious unenforceability,” regardless of the applicants’ cancellation or amendment of the disputed claims. *Baxter*, 149 F.3d at 1331. However, in *Baxter* the Federal Circuit reversed the district court’s finding of infectious unenforceability because it found the divisional patent was sufficiently distinct from the parent.

[W]here the claims are subsequently separated from those tainted by inequitable conduct through a divisional application, and where the issued claims have no relation to the omitted prior art, the patent issued from the divisional application will not also be unenforceable due to inequitable conduct committed in the parent application.

Id. at 1332; see also Upadhye, *supra* note 25, at 675 n.32 (explaining that inequitable conduct does not affect ownership rights, and therefore does not invalidate a patent, but it can render the patent unenforceable against all future defendants). For an interesting discussion about the unenforceability of patents already withdrawn from a lawsuit, see *Monsanto Co. v. Bayer Bioscience N.V.*, where the Federal Circuit found three patents unenforceable for inequitable conduct even though the patent holder, Bayer, had withdrawn them from the lawsuit after dismissing its infringement claims and filing a Statement of Non-Liability. No. 2007-1109, 2008 WL 200027, at *10 (Fed. Cir. Jan. 25, 2008). Because Monsanto sought attorneys fees under 35 U.S.C. § 285 for litigation expenses concerning these patents, the Federal Circuit affirmed the district court’s jurisdiction, stating:

The question facing this court is, thus, whether a district court’s jurisdiction under § 285 to determine whether there was inequitable conduct in the prosecution of patents that are otherwise no longer in suit confers on that court the jurisdiction to hold such patents unenforceable for inequitable conduct. We hold that it does.

Id.

77. Possible sanctions include: “invalidity, unenforceability, cancellation suit, attorney’s fees, antitrust liability, liability under the Federal Trade Commission Act, liability under securities laws, recovery of royalties, loss of attorney-client and work product privileges, disciplinary action against attorneys and agents, RICO liability, and state law tort claims for unfair competition.” Cronin, *supra* note 17, at 1337.

“plague”⁷⁸ on the Federal Circuit, any increase in such charges might create a pandemic. A breach of a patent applicant’s duty of candor with the USPTO constitutes “inequitable conduct” or, in more serious cases, “fraud.”⁷⁹ Therefore, “[n]othing gives greater joy to an accused infringer than somehow discovering that the prosecuting attorney failed to disclose material prior art to the examiner.”⁸⁰ Applicants can breach their duty of candor by: (1) making affirmative misrepresentations of a material fact, (2)

78. Senior Circuit Judge Nichols observed:

[T]he habit of charging inequitable conduct in almost every major patent case has become an absolute plague. Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds, to represent their client’s interests adequately, perhaps. They get anywhere with the accusation in but a small percentage of the cases, but such charges are not inconsequential on that account. They destroy the respect for one another’s integrity, for being fellow members of an honorable profession, that used to make the bar a valuable help to the courts in making a sound disposition of their cases, and to sustain the good name of the bar itself. A patent litigant should be made to feel, therefore, that an unsupported charge of “inequitable conduct in the Patent Office” is a negative contribution to the rightful administration of justice.

Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988); *accord* *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995) (“[U]njustified accusations of inequitable conduct are offensive and unprofessional. They have been called a ‘plague’ on the patent system.”); *E. I. Du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1439 (Fed. Cir. 1988) (“‘Fraud in the PTO’ has been overplayed, is appearing in nearly every patent suit, and is cluttering up the patent system.”) (quoting *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1454 (Fed. Cir. 1984)); *see also* *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987) (“‘Inequitable conduct’ is not, or should not be, a magic incantation to be asserted against every patentee. Nor is the allegation established upon a mere showing that art or information having some degree of materiality was not disclosed. To be guilty of inequitable conduct, one must have intended to act inequitably.”); *Preemption Devices, Inc. v. Minn. Mining & Mfg. Co.*, 732 F.2d 903, 908 (Fed. Cir. 1984) (“[I]nequitable conduct is a] much-abused and too often last-resort allegation.”).

79. 6 CHISUM, *supra* note 3, § 19.03; *see also* *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1070 (Fed. Cir. 1998) (“Inequitable conduct is thus an equitable defense in a patent infringement action and serves as a shield, while a more serious finding of fraud potentially exposes a patentee to antitrust liability and thus serves as a sword.”) (citing *Korody-Colyer Corp. v. Gen. Motors Corp.*, 828 F.2d 1572, 1578 (Fed. Cir. 1987)); *Burlington*, 849 F.2d at 1422 (discussing inequitable conduct: “The charge was formerly known as ‘fraud on the Patent Office,’ a more perjorative term, but the change of name does not make the thing itself smell any sweeter.”); *Migliorini*, *supra* note 26, at 222 (describing difference between inequitable conduct and fraud: “The Court of Appeals for the Federal Circuit . . . 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 form of ‘common law fraud,’ which can lead to antitrust damages under the Walker Process rationale.”) (citing *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 178–79 (1965)).

80. Hricik, *supra* note 22, at 299 (further explaining “[t]ypically, the battleground then becomes whether the withheld prior art was either more material than the disclaimed prior art or whether it was merely cumulative or more remote than art disclosed to the examiner. If the undisclosed reference was more material than the disclosed art, then a finding of materiality is likely. The sole issue will be whether it was withheld with intent to deceive.”); *see also* Harold C. Wegner, *Patent Simplification Sans Patent Fraud*, 20 AIPLA Q.J. 211, 214 n.11 (1992) (“Injecting the inequitable conduct issue into patent litigation wreaks havoc in the patentee’s camp. The inequitable conduct defense places the patentee on the defensive, subjects the motives and conduct of the patentee’s personnel to intense scrutiny, and provides an avenue for discovery of attorney-client and work product documents.”) (quoting John F. Lynch, *An Argument for Eliminating the Defense of Patent Unenforceability Based on Inequitable Conduct*, 16 AIPLA Q.J. 7, 8 (1988)).

failing to disclose material information, or (3) intentionally submitting false material information.⁸¹ These categories cast a wide net:

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 PTO.⁸²

The evidentiary standard for inequitable conduct is high. There must be clear and convincing proof that (1) the prior art is material, (2) the applicant knew it was material, and that (3) the applicant failed to disclose the material art (or misrepresented such art) with the intent to mislead the PTO.⁸³ A simple finding that prior is material, without more, will not establish inequitable conduct⁸⁴ because the patent applicant's intent is all-important, as evidenced by the 1992 Rule 56 amendment replacing "bad faith or gross negligence" standard with "bad faith or intentional misconduct."⁸⁵ However, the more material the omission, the less evidence of bad faith is required for a finding of inequitable conduct.⁸⁶

If the threshold requirements of materiality and intent to deceive are met, then the court weighs the materiality of the prior art and the applicant's intent⁸⁷ to determine if the applicant's conduct was so culpable that it must find his patents unenforceable.⁸⁸

81. *Molins*, 48 F.3d at 1178 (noting that all three of these potential manners of breach must be accompanied with an intent to deceive); accord *Baxter*, 149 F.3d at 1327.

82. Migliorini, *supra* note 26, at 229–30 (also detailing less common acts of inequitable conduct as follows: "failing to disclose prior art cited in foreign prosecutions, attempting to patent subject matter invented by another, submitting 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 mode of the invention."). *Id.* at 230.

83. Intent does not need to be proven by direct evidence; the facts and circumstances surrounding the applicant's conduct can infer intent. *Molins*, 48 F.3d at 1180–81.

84. "Materiality does not presume intent, which is a separate and essential component of inequitable conduct." *Id.* at 1178 (quoting *Allen Organ Co. v. Kimball Int'l, Inc.*, 839 F.2d 1556, 1567 (1988)).

85. 37 C.F.R. § 1.56(a) (2006) ("[N]o patent will be granted on an application in connection with which fraud on the Office was practiced or attempted or the duty of disclosure was violated through bad faith or intentional misconduct."). See also the Federal Circuit's en banc decision clarifying the intent standard in *Kingsdown Med. Consultants Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) ("We adopt the view that a finding that particular conduct amounts to 'gross negligence' does not of itself justify an inference of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive").

86. *Baxter*, 149 F.3d at 1327 (citing *N.V. Akzo v. E. I. du Pont de Nemours & Co.*, 810 F.2d 1148, 1153 (Fed. Cir. 1987)).

87. *Molins*, 48 F.3d at 1178.

88. *Id.* ("In light of all the circumstances, an equitable judgment must be made concerning whether the applicant's conduct is so culpable that the patent should not be enforced.") (citing *La-Bounty Mfg., Inc. v. Int'l Trade Comm'n*, 958 F.2d 1066, 1070 (Fed. Cir. 1992)).

B. Inequitable Conduct Based on Mischaracterization of Relevancy

Mischaracterizing or misrepresenting the relevancy of prior art can rise to the level of inequitable conduct. Such cases typically occur where applicants submit untranslated or partially translated foreign references to the USPTO,⁸⁹ or where inventors' affidavits overstate or misstate test data used to support the novelty requirement.⁹⁰ However, courts generally avoid finding inequitable conduct for mischaracterizing the relevancy of English language references if those references have been disclosed to examiners. This is because the examiners will have had the opportunity to review the references and make their own determinations of relevancy.⁹¹

In *Life Technologies, Inc. v. Clontech Laboratories, Inc.*, the Federal Circuit examined U.S. patent applicants' duty to characterize the relevancy of prior art references. Life Technologies, Inc. (LTI) engineered an enzyme⁹² after reviewing a journal article that reported computer comparisons of amino acid sequences (the "Article"). The LTI inventors doubted the accuracy of the Article's results⁹³ and conducted their own experi-

89. *E.g.*, Katherine Nolan-Stevaux, Note, *Inequitable Conduct Claims in the 21st Century: Combating the Plague*, 20 BERKELEY TECH. L.J. 147, 155 (2005) ("The inventor, a Semiconductor Energy employee, submitted a Japanese language version of a material prior art reference in its entirety, but only a partial, one-page translation that failed to disclose all of the elements of the full-length patent."); *see also* Hricik, *supra* note 22, at 304–05.

90. Hricik, *supra* note 22, at 306 ("[T]o overcome a rejection based on obviousness, an applicant may file a section 132 affidavit with evidence, often in the form of test data. Likewise, in order to antedate a reference, an applicant can file a section 131 affidavit and submit test data."); *see also* MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2004 ("Care should be taken to see that inaccurate statements or inaccurate experiments are not introduced into the specification, either inadvertently or intentionally. For example, stating that an experiment 'was run' or 'was conducted' when in fact the experiment was not run or conducted is a misrepresentation of the facts. No results should be represented as actual results unless they have actually been achieved . . . Also, misrepresentations can occur when experiments which were run or conducted are inaccurately reported in the specification, e.g., an experiment is changed by leaving out one or more ingredients.").

91. Hricik, *supra* note 22, at 302 ("The PTO is presumed to have examined [the prior art] and allowed claims over the art. 'Although misrepresentations about the relevance of a piece of cited prior art are often asserted to show inequitable conduct, it is difficult to prove materiality or an intent to deceive where the examiner has the art in front of her and can decide its relevance for herself.' For that reason, courts continue to reject arguments based on mischaracterization where the reference was disclosed to and considered by the examiner.") (quoting Boulware & Valoir, *supra* note 22, at 1251).

92. *Life Technologies, Inc. v. Clontech Labs., Inc.*, 224 F.3d 1320, 1322 (Fed. Cir. 2000). LTI developed a genetically engineered reverse transcriptase enzyme that exhibited DNA polymerase activity but lacked RNase H activity. *Id.*

93. *Id.* The data from the Johnson article was based on computer comparisons, not experimental data. The data contained comparisons of amino sequences of certain reverse transcriptase enzymes and the sequence of the *E. coli* ribonuclease enzyme. The data from the comparisons led the LTI inventors to consider that the RNase H activity of the RT enzyme resided at the carboxyl terminal end of the molecule, which went against the conventional wisdom that the RNase H activity was at the front end of the RT molecule. *Id.*

ments.⁹⁴ To their surprise, the results matched the Article's findings and the LTI inventors subsequently created and patented their enzyme.⁹⁵ The inventors submitted the Article to the USPTO in accordance with their duty of disclosure, but never disclosed the key role it played in triggering their development process.⁹⁶ When the patent examiner rejected LTI's invention based on the Article, LTI argued that at the time of its invention there was no reasonable expectation that the results in the Article could have led to the development of its enzyme.⁹⁷ LTI eventually persuaded the patent examiner that its invention would not have been obvious in view of the Article.⁹⁸

When LTI later sued Clontech for patent infringement,⁹⁹ the district court found LTI's patents unenforceable on the basis that LTI affirmatively misrepresented the Article during patent prosecution.¹⁰⁰ The Federal Circuit reversed the district court's holding for several reasons, but perhaps most importantly for the following: "[T]he inventors merely advocated a particular interpretation of the teachings of the [Article] and the level of skill in the art, which the Examiner was free to accept or reject. This argument did not contain any factual assertions that could give rise to a finding of misrepresentation."¹⁰¹

94. *Id.* ("[I]n order to 'exclude the possibility' that Johnson was correct, Kotewicz and Gerard decided to conduct experiments at the carboxyl terminal end of the RT enzyme. Contrary to expectations, these experiments were successful and, by December 1986, the inventors had created a mutant RT enzyme that lacked RNase H activity but retained DNA polymerase activity.")

95. *Id.* LTI's patents were U.S. Patent Nos. 5,244,797 (filed Mar. 18, 1991) and 5,668,005 (filed Mar. 12, 1996).

96. One basis for the district court's finding of inequitable conduct was that LTI did not disclose the extent to which the Johnson article influenced them to pursue their invention. *Id.* at 1325. The Federal Circuit reversed this finding because it was premised on a misunderstanding of the legal standards of patentability. *Id.*

97. *Id.* at 1323. LTI successfully argued that the Johnson results contravened the understanding at the time that just deleting the carboxyl terminal end would not be enough to eliminate RNase H activity. Consequently, there was no reasonable expectation of those in the field that application of the results in the Johnson article could produce LTI's mutant enzyme.

98. *Id.*

99. *Id.* LTI sued Clontech in Dec. 1996 for infringement of U.S. Patent Nos. 5,244,797 and 5,668,005.

100. *Id.* at 1325-26. The district court found that the LTI inventors made affirmative misrepresentations about the Johnson article because they based their argument to the examiner's obviousness rejection on the premise that the Johnson article provided no reasonable expectation of success, without disclosing that they did in fact successfully use the Johnson article and it did correctly teach the location of RNase H activity.

101. *Id.* at 1326 (citing *Akzo N.V. v. U.S. Int'l Trade Comm'n*, 808 F.2d 1471, 1482 (Fed. Cir. 1986)) (emphasis added). The Federal Circuit also noted that the fact that the inventors successfully used the Johnson article did not contradict their argument that there was no reasonable success in applying the article because "[r]easonable expectation of success is assessed from the perspective of the person of ordinary skill in the art." *Id.*

While this holding in no way permits applicants to make any misrepresentations to the USPTO, material or otherwise, it stands for two important principles: (1) patent applicants are allowed to advocate for their patent positions, and (2) patent examiners are obliged to reach their own conclusions about the relevancy of prior art references.¹⁰²

The proposed USPTO Rules blur the distinction between applicants' and examiners' roles by requiring applicants to self-examine prior art documents submitted under Rule 56 for relevancy. This blurring may lead to more allegations of inequitable conduct by affirmative misrepresentation because applicants, in advocating for their positions, risk misrepresenting the relevancy of prior art under the proposed heightened disclosure requirement.

Relevancy explanations have always concerned patent applicants because they can reappear in litigation as direct evidence that applicants intentionally made false or incomplete statements for fraudulent purposes.¹⁰³ In 1977, the Patent Office considered comments about its proposed "concise explanation of relevancy" requirement and subsequently modified this requirement to help applicants avoid accusations of violating the duty of disclosure.¹⁰⁴ In 1992, the Patent Office went a step further and eliminated the requirement altogether for documents in English.¹⁰⁵ Under the current proposed Rules, this statement has not only reappeared, but it has undergone a Kafkaesque metamorphosis into an oppressive requirement where

102. See the discussion of *Gambro Lundia AB v. Baxter Healthcare Corp.* in Lisa A. Dolak, *As If You Didn't Have Enough to Worry About: Current Ethics Issues for Intellectual Property Practitioners*, 82 J. PAT. & TRADEMARK OFF. SOC'Y 235, 242 (2000).

[T]he Federal Circuit rejected the defendant's contention that the patentee's mischaracterization of a cited prior art reference during prosecution constituted inequitable conduct. In reversing the district court's decision, the Court observed that the examiner had access to the reference at issue, and thus had the opportunity to "place [the applicant's] comments in their proper context." These decisions illustrate the distinction between misrepresentations that are *per se* material because the examiner has no alternative but to rely on them, and mischaracterizations that the examiner has the opportunity to detect and evaluate.

Id. (citing *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1574 (Fed. Cir. 1997)).

103. Tegtmeier, *supra* note 19, at 206 ("[T]here is the danger of inadvertent error in providing such a statement and the danger that it will be asserted in later litigation to be incomplete or inaccurate in light of a defendant's arguments.").

104. Duty of Disclosure, Comment 70 and Reply, 57 Fed. Reg. 2021 (Jan. 17, 1992) ("One comment suggested that proposed § 1.98(a)(3) should be modified to require a concise explanation of 'what is believed to be' the relevance of information listed to avoid the accusation of violation of duty of disclosure merely because more relevant portions of the information are later found. Another comment suggested that the concise explanation should state what is 'reasonably understood by the person submitting the statement.' Another comment stated that the applicant should be required to explain (1) only what is understood or believed about the item of information at the time the disclosure is made, or (2) why the item is listed. Reply: The suggestions in the comments have been substantially adopted in modifying the language of § 1.98(a)(3).").

105. See Duty of Disclosure, 57 Fed. Reg. 2021, 2022 (Jan. 17, 1992) (discussing change to § 1.98(a)(3)).

applicants must distinctly identify relevant sections of cited art and then explain how the specific feature, showing, or teaching of the cited art correlates with language in one or more of the patent application's claims.¹⁰⁶ If the examiners rely too heavily on applicants' relevancy statements then they will undermine the *LTI* holding—that applicants can advocate for their positions, and examiners are free to make up their own minds about patentability. The proposed Rules contain no safeguard that applicants can write these statements in the light most favorable to their positions, or that examiners must draw their own conclusions.¹⁰⁷

It is difficult to see how applicants can avoid allegations of inequitable conduct based on the USPTO's "explanation" requirements, which are: (1) identification, which requires one to identify specific features, showings, or teachings that cause a document to be cited, and to identify portions of the document where the specific features, showings, or teachings are found; and (2) correlation of the features, showings, or teachings to specific claim language or to portions of the supporting specification.¹⁰⁸

Applicants submitting prior art after the first Office action on the merits face even greater disclosure requirements and must submit the "explanation" described above, as well as a "non-cumulative description," which the USPTO describes as "[a] description of how each document is not merely cumulative of any other document, e.g., a description of a specific feature, showing, or teaching in each cited document that is not found in any other citation in any (prior or current) IDS, or any information cited by the examiner."¹⁰⁹

106. *Rules*, *supra* note 4, at 38810.

107. The proposed Rules emphasize examiners' time constraints, and one wonders how thoroughly any of the references applicants submit will be examined. The proposed Rules state that the document will first be given "an initial brief review" to see if it requires more in depth study. *Id.* "This practice reflects the practical reality of patent examination which affords the examiner a limited amount of time to conclude all aspects of the examination process." *Id.* This introduces another "reality"—the danger that examiners will rely too heavily on applicants relevancy statements without independent consideration.

108. USPTO, CHANGES TO INFORMATION DISCLOSURE STATEMENT REQUIREMENTS AND OTHER RELATED MATTERS—DETAILED SUMMARY 2 (2006), <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/focuspp.html> (follow the "IDS Practice" hyperlink; then select the "Detailed Summary" hyperlink).

109. *Id.* Further, if prior art is submitted after a notice of allowance, then in addition to the "explanation" and "non-cumulative description" applicants must also give a "patentability justification" stating the reasons why the independent claims are patentable over the reference in view of any information on record and an explanation on why amending the claims which otherwise would be unpatentable over the reference is patentable in view of any information on record. *See Rules*, *supra* note 4, at 38821.

Compliance with these requirements will be especially onerous for patent attorneys who must represent their clients zealously,¹¹⁰ but at the same time must work against them by pointing out potential arguments for the patent examiners, as well as identifying the prior art that is material, not cumulative, for the “non-cumulative description.”

If attorneys bill by the hour, they will certainly benefit financially from their time-intensive review of references and preparation of relevancy statements. However, the financial gains are not worth the increased risk of malpractice if they fail to advocate for their clients. Even if attorneys are able to walk the tightrope between meeting the USPTO’s requirements and advocating for their clients, if they misstate the materiality of a section or fail to cite a section of the reference that, through hindsight, is more material than the sections they cited,¹¹¹ they may face sanctions for misconduct.¹¹²

Clearly the Patent Office understands the dilemmas applicants and their representatives will face under the new Rules, because it proposes a “safe harbor” provision for the “individual who, in good faith and to the best of the person’s knowledge, information and belief, formed after a reasonable inquiry under the circumstances, took reasonable steps to comply with the additional disclosure requirements.”¹¹³ However, there is no legislation enacting this safe harbor provision.¹¹⁴ Patent applicants need a safer safe harbor before they can comply with the new Rules.

C. *Inequitable Conduct Based on Failure to Disclose Information*

1. Failure to Disclosure a Reference

Molins PLC v. Textron, Inc., is an inequitable conduct case arising from failure to disclose a prior art reference. Molins, a tool manufacturer in

110. MODEL RULES OF PROF’L CONDUCT R. 1.3 cmt. (2006) (“A lawyer should pursue a matter on behalf of a client despite opposition, obstruction or personal inconvenience to the lawyer, and take whatever lawful and ethical measures are required to vindicate a client’s cause or endeavor. A lawyer must also act with commitment and dedication to the interests of the client and with zeal in advocacy upon the client’s behalf.”).

111. This is almost certain to occur, especially because the USPTO advocates submitting only portions of references: “Applicant is permitted to submit only a portion of a document and is encouraged to do so where that portion can be considered without further context and is the only portion that is relevant to the claimed invention.” *Rules, supra* note 4, at 38813.

112. See the Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 12 (as passed by House, Sept. 7, 2007).

113. *Rules, supra* note 4, at 38811.

114. Adler, *supra* note 49, at 2. This author agrees with the IPO that “a legislative change needs to precede such a substantive change to current rules.” *Id.*

the United Kingdom, invented an improved batch machining method in 1965 (the “batch method”).¹¹⁵ Molins filed patent applications in many countries, including the United States. Molins later improved its automation of machining parts, and filed a second family of patents directed to this improvement (“the System 24”).¹¹⁶

Molins’ in-house patent agent became aware of key piece of prior art, the “Wagenseil reference,”¹¹⁷ which anticipated the batch method claims.¹¹⁸ He subsequently abandoned all patent applications for the batch method, and kept only those patent applications directed to the new System 24 invention alive. However, Molins did not abandon the U.S. patent application that contained a combination of both batch method and System 24 claims.¹¹⁹

Foreign patent offices cited the Wagenseil reference during prosecution of the System 24 patent applications. However, Molins never disclosed this reference to the USPTO, nor did it disclose the fact that there were oppositions to the German System 24 patent application based, in part, on the Wagenseil reference.¹²⁰ Molins abandoned all foreign System 24 applications. The U.S. patent issued in 1983 as U.S. patent number 4,369,563; as issued, the patent¹²¹ only covered the System 24 invention.¹²²

In 1983, Molins’ new patent agent reviewed all the abandoned foreign System 24 applications and discovered that the Wagenseil reference had not been disclosed to the USPTO. He filed a prior art statement under 37 C.F.R. § 1.501 (“Rule 501”)¹²³ disclosing the Wagenseil reference and numerous other references cited during foreign prosecution.¹²⁴

115. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1175–76 (Fed. Cir. 1995).

116. *Id.* at 1176.

117. *Id.* at 1176 n.4. The Wagenseil reference was described by the Federal Circuit as one or more articles published by William Wagenseil et al. during the relevant time period (1958–1962) that disclosed relevant subject matter.

118. *Id.* at 1177.

119. *Id.*

120. *Id.*

121. *Id.* at 1176 n.2. U.S. Patent No. 4,621,410 (filed Sept. 30, 1982) issued on Nov. 11, 1986 was also directed to the System 24 invention.

122. *Id.* at 1176 (“Before the patent issued in January of 1983 . . . the batch process claims were cancelled and only claims drawn to the system 24 apparatus issued.”).

123. *Id.* at 1177. See also 37 C.F.R. § 1.501(a) (2006), the Rule that provides for citation of references which may be used to support an *ex parte* reexamination request:

At any time during the period of enforceability of a patent, any person may cite, to the Office in writing, prior art consisting of patents or printed publications which that person states to be pertinent and applicable to the patent and believes to have a bearing on the patentability of any claim of the patent.

124. *Molins*, 48 F.3d at 1183. The document was eleven pages long, and listed twenty-three U.S. patents, twenty-seven foreign patents, and forty-four U.S. and foreign printed publications. Neither translations of foreign patents nor relevancy statements for any prior art accompanied the list.

In 1984, Cross & Trecker, Inc.¹²⁵ filed a request for reexamination of the '563 patent, based in part on the Wagenseil reference.¹²⁶ Molins pointed out that it voluntarily submitted the Wagenseil reference in 1983. The examiner reviewed the Wagenseil reference, and did not reject any claims.¹²⁷

In late 1986, Molins sued Textron, Inc., Kearney & Trecker, and Avco Corp (collectively "Textron") for patent infringement. After three years of discovery, Textron filed a motion for summary judgment alleging Molins' patents were unenforceable because of inequitable conduct during patent prosecution, particularly because of Molins' concealment of the Wagenseil reference.¹²⁸ The district court denied summary judgment, even after Textron added new allegations of inequitable conduct, but eventually severed the issue of inequitable conduct.¹²⁹ After a bench trial, the court held that both patents were unenforceable due to inequitable conduct.¹³⁰

On appeal, the Federal Circuit reviewed the district court's holding¹³¹ and considered Molins' argument that the patent examiner did not reject any of its claims during reexamination because the Wagenseil reference was not material.¹³² Using the "reasonable examiner" standard of materiality,¹³³ the court found that the Wagenseil reference was not immaterial simply because the examiner decided to allow the claims of the Molins patent application over the reference.¹³⁴ The court found that certain technical features described by Wagenseil were particularly material. It also noted that the foreign patent offices found the Wagenseil reference the

125. *Id.* at 1177. Cross & Trecker was the parent corporation of defendant Kearney & Trecker.

126. *Id.*; see 37 C.F.R. § 1.502 (2006) regarding processing of prior art citations during *ex parte* reexamination proceedings; see also MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2209 (explaining that at any time during a patent's enforceability, any person can file a request for the USPTO to conduct a second examination of any claim of the issued patent on the basis of prior art which that person believes to affect the patentability of the invention. In order for the reexamination request to be granted there must be a substantial new question of patentability).

127. *Molins*, 48 F.3d at 1177. Re-Examination Certificate B1 4,369,563 for the '563 patent issued on May 13, 1986. See generally MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2200 for details about reexamination of patents.

128. *Molins*, 48 F.3d at 1177.

129. *Id.*

130. *Id.* The district court held Molins' patents unenforceable on November 24, 1992.

131. *Id.* at 1178. The court used an abuse of discretion standard: "The ultimate determination of inequitable conduct is committed to the trial judge's discretion and is reviewed by this court under an abuse of discretion standard." *Id.* (citing *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988)).

132. *Id.* at 1179.

133. *Id.*

134. *Id.* at 1180 ("[T]he fact that the examiner did not rely on Wagenseil to reject the claims under reexamination or the '410 method claims is not conclusive concerning whether the reference was material.").

most relevant prior art reference,¹³⁵ although they cautioned that there are “differences in disclosure requirements, claim practice, form of application, and standard of patentability”¹³⁶ between U.S. and foreign patent offices.

In reviewing the U.S. duty of disclosure requirements, the court cited the following passage of the Manual of Patent Examining Procedure (MPEP):

Applicants . . . have a duty to bring to the attention of the Office any material prior art or other information cited or brought to their attention in any related foreign application. The inference that such prior art or other information is material is especially strong where it is the only prior art cited or where it has been used in rejecting the claims in the foreign application.¹³⁷

Based on these considerations, the court upheld the district court’s holding that Wagenseil was material.

Once the materiality threshold question had been met, the court evaluated Molins’ intent. Failure to report a reference to the USPTO cited in a foreign counterpart application can be a simple oversight; therefore, the courts must have clear and convincing evidence of culpable intent,¹³⁸ and “the alleged conduct must not amount merely to the improper performance of, or omission of, an act one ought to have performed.”¹³⁹ The court carefully considered the evidence, including the fact that Molins’ first patent agent was a “seasoned”¹⁴⁰ practitioner who prosecuted the patent family for

135. *Id.*; see also MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2001.06 (citing *Gemveto Jewelry Co. v. Lambert Bros., Inc.*, 542 F. Supp. 933 (S.D.N.Y. 1982)) (discussing *Gemveto*, where the patent in question was held invalid or unenforceable because prior art cited by the Dutch Patent Office was not cited to the USPTO even though it was highly material).

136. *Id.* (citing *Heidelberger Druckmaschinen AG v. Hantscho Commercial Prods., Inc.*, 21 F.3d 1068, 1072 n.2 (Fed. Cir. 1994)).

137. *Id.* (quoting USPTO, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 2001.06(a) (4th ed. rev. 8, 1981)). The Court also noted that although the MPEP does not have the force of law, it is entitled to judicial notice as an “official interpretation of statutes or regulations,” so long as it does not conflict with those statutes or regulations. *Id.* at 1180 n.10.

138. *Id.* at 1181 (“[G]iven the ease with which a relatively routine act of patent prosecution can be portrayed as intended to mislead or deceive, clear and convincing evidence of conduct sufficient to support an inference of culpable intent is required.”) (quoting *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 939 (Fed. Cir. 1991)). The court then went on to explain: “[I]ntent to deceive should be determined in light of the realities of patent practice, and not as a matter of strict liability whatever the nature of the action before the PTO.” *Id.* at 1184. (quoting *Northern Telecom*, 908 F.2d at 939).

139. *Id.* at 1181 (clarifying that “clear and convincing evidence must prove that an applicant had the specific intent to accomplish an act that the applicant ought not to have performed, *viz.*, misleading or deceiving the PTO. In a case involving nondisclosure of information, clear and convincing evidence must show that the applicant made a deliberate decision to withhold a known material reference.”).

140. *Id.* (“Whitson, a seasoned patent practitioner, who was aware of the duty to disclose material information to the PTO, knew of a highly material reference but did not cite it, or any other reference, to the PTO during the entire 13 years in which he was involved in prosecuting the U.S. patent applications that led to the ’563 patent. During the time the applications were pending, Whitson represented to foreign patent offices that Wagenseil was the closest prior art. Whitson was on several occasions re-

thirteen years and never once disclosed the Wagenseil reference to the USPTO despite his knowledge of its materiality.

The court also evaluated Molins' other actions. It agreed that "[t]hings can fall through the floorboards" in patent prosecution.¹⁴¹ It also recognized that Molins did eventually (and voluntarily) submit the Wagenseil reference to the USPTO, albeit after the '563 patent issued, and that the patent examiner granted the reexamination application after considering this reference. However, even viewed in the best light, Molins' later actions could not make up for the fact that "references were not cited when they should have been."¹⁴² Finding that Molins deliberately withheld a material reference, the court upheld the district court's judgment.¹⁴³ This ruling highlights the importance of disclosing prior art references cited by foreign patent offices to the USPTO. Failure to do so initially, even if applicants later disclose such references, can result in a finding of inequitable conduct.

2. Inequitable Conduct Based on Failure to Disclose a Rejection

Another source of inequitable conduct charges stems from failure to disclose rejections made by other patent examiners. In *Dayco Products, Inc. v. Total Containment, Inc.*, Dayco filed two patent applications for mechanisms relating to underground gas containment systems:¹⁴⁴ The first patent family (the '161 family) claimed priority to U.S. application number 408,161, which was filed on September 15, 1989.¹⁴⁵ The second family (the '196 family) claimed priority to U.S. application number 993,196, which was filed on December 18, 1992. Despite the technical similarities, these families were assigned to two different USPTO examiners: David Arola examined the '161 family, and Eric Nicholson examined the '196 family.¹⁴⁶

While Nicholson knew of the '161 family,¹⁴⁷ Arola was unaware that the '196 family existed.¹⁴⁸ Nicholson rejected the claims of the '196 family

minded of Wagenseil's materiality through its prominence in the prosecution of several foreign counterpart applications with which Whitson was intimately involved.").

141. *Id.* at 1182 ("We are mindful of the complexities of conducting a worldwide patent prosecution in a crowded art, attempting to represent one's client or company properly, and yet fulfill one's duty to various patent offices. Things can 'fall through the floorboards' and not arise from an intent to deceive.").

142. *Id.*

143. *Id.*

144. *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1360 (Fed. Cir. 2003).

145. *Id.*

146. *Id.* at 1361.

147. *Id.* (stating that there were specific references to the '161 family in the '196 patent applications).

under 35 U.S.C. § 103 for obviousness.¹⁴⁹ Because Arola did not know the '196 family existed, he likewise was unaware of Nicholson's rejection and the reference underpinning that rejection.¹⁵⁰

The Federal Circuit's analysis of materiality sets this case apart from other inequitable conduct cases. The court first turned to the MPEP and its clear guidelines regarding patent applicants' duty to disclose co-pending applications with similar subject matter and patentably indistinct claims.¹⁵¹ According to the court, references that potentially serve as the basis of a double patenting rejection both satisfy the pre-1992 "reasonable examiner" materiality standard¹⁵² and establish a prima facie case of unpatentability under the post-1992 standard.¹⁵³ This holding is hardly surprising—where a possibility of double patenting exists, an applicant must disclose details of the co-pending applications. What is surprising is the court's analysis about rejections from co-pending applications: "We hold that a contrary decision of another examiner reviewing a substantially similar claim meets the *Akron Polymer* 'reasonable examiner' threshold materiality test of 'any information that a reasonable examiner would substantially likely consider important in deciding whether to allow an application to issue as a patent.'"¹⁵⁴ The court went on to hold that "the information meets the threshold level of materiality under new Rule 56, in that 'it refutes, or is inconsistent with, a position the applicant takes in . . . asserting an argument of patentability.'"¹⁵⁵

According to this expansive view of material information, the adverse decision of one patent examiner can be material and is subject to disclosure to a second patent examiner under both the old and new versions of Rule 56. Moreover, failure to disclose such rejections can support a finding of inequitable conduct. Therefore, simply citing prior art will not satisfy applicants' duty of disclosure because *Dayco* expands the scope of material information beyond prior art.

148. *Id.* ("[T]here is no evidence that examiner Arola was ever notified of the existence of the applications in the '196 family.>").

149. *Id.* The examiner determined the invention was unpatentable over U.S. patent number 3,331,981 to Wilson in view of U.S. patent number 5,096,234 to Oetiker, and issued rejections under § 103 three times.

150. *Id.* at 1361–62.

151. *Id.* at 1365 (citing MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2001.06(b)).

152. *Id.* (quoting *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1382 (Fed. Cir. 1998)) ("[An] application was highly material to the prosecution of [an application, where] it could have conceivably served as the basis of a double patenting rejection.>").

153. *Id.* at 1366.

154. *Id.* at 1368 (quoting *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1382 (Fed. Cir. 1998)).

155. *Id.* (quoting 37 C.F.R. § 1.56(b)(2) (2002)).

Practically speaking, under *Dayco* patent applicants and their attorneys cannot fulfill their duty of candor by submitting “traditional” references such as other patents, journal articles, and product brochures. Now they must reach into their own prosecution files and submit rejections contained in Office actions from different patent applications if those rejections refute, or are inconsistent with, their arguments of patentability for substantially similar claims.¹⁵⁶ This places significant burdens on patent applicants because tracking prior art cited in other Office actions requires a sophisticated cross-reference system, and tracking material rejections even more so.¹⁵⁷

D. *The Future of the Inequitable Conduct Doctrine*

Patent reform is a hot topic, and proposed legislation has undergone multiple incarnations recently, including the Patent Reform Act of 2005 and the Patent Reform Act of 2007.¹⁵⁸

1. Patent Reform Act of 2005

Although the Patent Reform Act of 2005¹⁵⁹ was not enacted, its proposed changes to the doctrine of inequitable conduct are noteworthy. Under proposed section 136, Congress sought to address the problem of the

156. See Carter J. White, Ira D. Finkelstein & Scott Reese, *Expanding the Duty of Disclosure: Dayco v. TCI, INTELL. PROP. TODAY*, Mar. 2004, at 36 (“The *Dayco* court’s expansive reading of Rule 56 has a significant effect on compliance with the duty of disclosure. Prior to the ruling in *Dayco*, most patent practitioners will have complied with Rule 56 by submitting a ‘traditional’ IDS. In view of the decision in *Dayco*, the duty of disclosure now includes substantive prosecution papers in cases involving claims that are ‘substantially similar’ in addition to any information that meets the materiality standard under new Rule 56.”) (citations omitted). See also MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2001.06, discussing *Gemveto Jewelry Co. v. Lambert Bros., Inc.*, where the patentee’s foreign counsel did not disclose prior art cited by the Dutch Patent Office even though it was used to reject the same or similar claims, and the patent was held unenforceable. *But see* ATD Corp. v. Lydall, Inc., 159 F.3d 534, 547 (Fed. Cir. 1998) (“Although international search reports may contain information material to patentability if they contain closer prior art than that which was before the United States examiner, it is the reference itself, not the information generated in prosecuting foreign counterparts, that is material to prosecution in the United States. The details of foreign prosecution are not an additional category of material information.”) (citing *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1180 (Fed. Cir. 1995)).

157. Hricik, *supra* note 22, at 314 (“The practical implication of this rule could be quite onerous. While practitioners no doubt by now know of their responsibility to disclose related applications to an examiner, disclosure of pendency is not enough; applicants must now examine office actions in related applications to see if the examiner has rejected ‘substantially similar’ claims. The examiner’s attention must be directed to the rejection in a prior office action of ‘substantially similar’ claims.”).

158. Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005); Patents Depend on Quality Act of 2006, H.R. 5096, 109th Cong. (2006); Patent Reform Act of 2006, S. 3818, 109th Cong. (2006); Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007); Patent Reform Act of 2007, S. 1145, 110th Cong. (2007).

159. H.R. 2795.

“plague” of frivolous inequitable conduct charges by eliminating the use of this defense by accused patent infringers.¹⁶⁰ Although inequitable conduct would no longer have been a defense for infringement, it could still have rendered a patent unenforceable under a separate action, provided that at least one claim was found invalid due to the Patent Office’s reliance on the patent owner’s misconduct.¹⁶¹ However, any misconduct or fraud by an applicant’s attorney would not be attributable to the applicant unless the patent owner had also violated the duty of candor and good faith.¹⁶²

By making inequitable conduct a separate action for unenforceability, rather than a defense for infringement, there likely would have been a dramatic reduction in the number of patents found unenforceable due to inequitable conduct. The proposed elimination of inequitable conduct as a defense was generally well received within the intellectual property community¹⁶³, and controversy generally was limited to the proposal that the USPTO act as the investigator and adjudicator of inequitable conduct allegations.¹⁶⁴

160. *Id.* The proposed section 136(c)(3), entitled “Limitation on Defenses to Enforcement of Patent,” read as follows:

No defense of invalidity of a patent or other defense to the enforcement of a patent may be based in whole or in part upon a violation of the duty of candor and good faith under subsection (a) or on any fraud, inequitable conduct, or other misconduct, except as expressly permitted in this section.

161. See proposed section 136(d), entitled “Unenforceability Action.” *Id.*

162. See proposed section 136(d)(3)(A), entitled “Liability of Patent Owner.” *Id.*

163. “Because the concerns were that inequitable conduct is overly and improperly used as a defense, the restriction on its use has been generally supported.” James G. McEwen, *Is the Cure Worse Than the Disease? An Overview of the Patent Reform Act of 2005*, 5 J. MARSHALL REV. INTELL. PROP. L. 55, 74 (2005) (citations omitted), <http://www.jmripl.com/Publications/Vol5/Issue1/mcewen.pdf>.

164. See proposed section 136(c), entitled “Adjudication by the Office.” H.R. 2795. As one commentator explained:

In another controversial provision, the Patent Reform Act requires that, during litigation, assertions of inequitable conduct be referred to the PTO for resolution. Under proposed § 136(c), the PTO is the sole forum for investigating and determining misconduct. There exists concern over whether the PTO has sufficient funding, making this provision especially controversial to the extent there is doubt as to whether the agency would be able to implement the law. However, there remains a belief that some form of the provision is needed in order to formalize the ability of the PTO to regulate patent practitioners. As such, other than the impact on funding, this provision is not overly controversial.

McEwen, *supra* note 163, at 74. But the MPEP expressly acknowledges that “[t]he Office is not the best forum in which to determine whether there was an ‘intent to mislead,’” and explains that triers of fact can witness the demeanor of witnesses who are cross-examined, and that the USPTO is not set up to handle an adversarial proceeding. Besides, it generally “lack[s] of tools” to deal with inequitable conduct. The USPTO also acknowledges that because charges of inequitable conduct are not defined by statute, they are better handled by the courts instead of an administrative body. MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2010.

2. The Patent Reform Act of 2007

In a striking departure from the Patent Reform Act of 2005, which would have abolished the doctrine of inequitable conduct, the Patent Reform Act of 2007¹⁶⁵ contains provisions to codify it.¹⁶⁶ There is strong opposition from large segments of the IP community against this codification of the inequitable conduct defense because it stymies open and direct communications with the Patent Office, and fosters expensive and unnecessary litigation.¹⁶⁷

Both bills also include a mandatory prior art search report and analysis requirement.¹⁶⁸ This requirement is even more onerous than the USPTO's proposed Rules. Whereas the USPTO's Rules require applicants to submit relevancy statements for references exceeding twenty-five pages, more than twenty references in total, or for any foreign language reference,¹⁶⁹ Congress' proposed language requires analyses for *all* relevant references.¹⁷⁰ Moreover, there is no explanation about what the "search reports" must contain. Will applicants have to submit database search strategies in addi-

165. The Patent Reform Act of 2007 was introduced in identical bills in the House of Representatives and Senate on April 18, 2007. Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007); Patent Reform Act of 2007, S. 1145, 110th Cong. (2007). Substitute bills were subsequently introduced in both the House and Senate. Patent Reform Act of 2007, H.R. 1908, 110th Cong. (as passed by House, Sept. 7, 2007); Patent Reform Act of 2007, S. 1145, 110th Cong. (as reported by S. Comm. on the Judiciary, Jan. 24, 2008). For the purpose of this discussion, references to Senate Bill 1145 and House Bill 1908 will refer to the substitute bills unless noted otherwise.

166. House Bill 1908 codifies inequitable conduct as a defense for patent infringers who can prove, by clear and convincing evidence, that "a person with a duty of disclosure to the Office, with the intent to mislead or deceive the patent examiner, misrepresented or failed to disclose material information to the examiner during examination of the patent." H.R. 1908, § 12. S. 1145 also codifies inequitable conduct as an infringement defense if a party can prove by clear and convincing evidence that "material information was misrepresented or omitted from the patent application of such patent with the intention of deceiving the Office." S. 1145, § 12(a) (proposing to amend 35 U.S.C. by adding new § 298).

167. For example, the Biotechnology Industry Organization (BIO), a trade association having members from more than a thousand biotechnology companies, academic and research institutions, strongly opposes codification of the inequitable conduct doctrine. THE STATEMENT OF THE BIOTECHNOLOGY INDUSTRY ORGANIZATION ON H.R. 1908, THE PATENT REFORM ACT OF 2007, at 6 (2007), available at <http://www.bio.org/ip/domestic/20070426.pdf> ("The threat of such [inequitable conduct] accusations is chilling communications between patent applicants and examiners, and is negatively impacting the quality and efficiency of patent examination today. It also is a key driver in the cost and length of patent litigation, and has been described as a 'plague' by the U.S. Court of Appeals for the Federal Circuit. BIO believes that this doctrine should be abolished.").

168. See H.R. 1908, § 12(a)(1) (proposing to amend Chapter 11 of 35 U.S.C. by adding new section 123, which would compel patent applicants to submit "a search report and other information and analysis relevant to patentability" or else face abandonment, with an exception provided for microentities); see also S. 1145, § 11 (proposing to similarly amend Chapter 11 of 35 U.S.C. by adding new section 123, requiring patent applicants to submit "(1) a search report and analysis relevant to patentability; and (2) any other information relevant to patentability that the Director, in his discretion, determines necessary."). S. 1145 also provides an exception for microentities in section 11.

169. Rules, *supra* note 4, at 38813 (regarding proposed amendment to 37 C.F.R. § 1.98(a)(3)).

170. See H.R. 1908, § 12(a)(1); S. 1145, § 11.

tion to results and, if so, could such strategies form the basis for future inequitable conduct allegations? As dire as this possibility may be, it worsens upon consideration that the materiality standard for such allegations is still murky,¹⁷¹ and neither the House nor the Senate included “safe harbor” provisions to protect patent applicants acting in good faith.¹⁷²

How the Patent Reform Act of 2007 will ultimately look, if enacted, remains to be seen. However, if significant changes are not made, this legislation could increase inequitable conduct litigation because the new prior art search report and analysis requirement, combined with a subjective materiality standard, would provide ample fodder for infringers without any safe harbor for patent applicants acting in good faith.

IV. FOREIGN DUTY OF DISCLOSURE REQUIREMENTS

This Part discusses the foreign duty of candor requirements. Part IV.A provides a brief introduction to foreign duty of candor requirements. Part IV.B examines specific duty of candor obligations for Australia, Canada, Israel, India, and Japan. Part IV.C analyzes how foreign duty of candor obligations could affect U.S. applicants now and in the future in view of the USPTO’s proposed new Rules and the Patent Reform Act of 2005.

171. The materiality standard has long been subject to multiple interpretations by the Federal Circuit. See 6 CHISUM, *supra* note 3, § 19.03[3][a]; see also *Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1314–16 (Fed. Cir. 2006) (discussing five different standards of materiality: the objective “but for” standard, the “but it may have” standard, the “reasonable examiner” standard, the old Rule 56 “reasonable examiner” standard, and the new Rule 56 standard). The Federal Circuit did not feel constrained to follow any one of the five standards:

Even though the PTO’s “reasonable examiner” standard became the dominate standard invoked by this court, in no way did it supplant or replace the case law precedent. Rather, it provided an additional test of materiality, albeit a broader and all-encompassing test. Similarly, the PTO’s recent adoption of an arguably narrower standard of materiality [new Rule 56] does not supplant or replace our case law. Rather, it merely provides an additional test of materiality.

Id. at 1316.

Senate Bill 1145 ignores the current USPTO Rule 56 objective standard of materiality and uses its own “reasonable examiner” standard. See S. 1145, § 12 (proposing to amend Chapter 29 of 35 U.S.C. by adding new section 298(b), which reads “Information shall be considered material for purposes of subsection (a) if—(1) a reasonable patent examiner would consider such information important in deciding whether to allow the patent application; and (2) such information is not cumulative to information already of record in the application.”). This subjective reasonable examiner standard is especially problematic when dealing with inequitable conduct allegations because parties alleging inequitable conduct only need to prove a “threshold level” of materiality to proceed to the “balancing” prong. See *Digital Control, Inc.*, 437 F.3d at 1316.

172. In its proposed Rules, the USPTO suggested creating a safe harbor for patent applicants who used good faith efforts to comply with the new duty of disclosure requirements. *Rules*, *supra* note 4, at 38811–12 (describing proposed § 1.56(f)).

A. *Duty of Candor Obligations to Foreign Patent Offices*

Because U.S. patent applicants are limited to twenty “explanation-free” prior art references under the proposed Rules,¹⁷³ they may seek ways to minimize the number of references they disclose to the USPTO. Although failure to disclose prior art cited by foreign patent offices traditionally has not been a large source of inequitable conduct charges,¹⁷⁴ patent applicants cannot overlook this potential pool of prior art in their efforts to stay within the twenty-reference threshold. Because *Molins* held that non-disclosure of foreign patent office citations creates an inference of intentional deception,¹⁷⁵ and *Dayco* held that patent examiners’ rejections of substantially similar claims are material,¹⁷⁶ U.S. applicants should review their foreign prosecution files carefully for material prior art and substantive rejections.

Foreign duty of disclosure requirements have changed dramatically over the past few years, and an increasing number of patent offices require disclosure of any art cited by all patent offices. As examples of some of the many foreign duty of disclosure requirements,¹⁷⁷ this note provides an overview of the disclosure requirements of Australia, Canada, Europe, India, Israel, and Japan.¹⁷⁸

173. *Rules*, *supra* note 4, at 38810 “[F]or applications in which twenty or fewer documents have been cited in one, or more IDS prior to first Office action on the merits, an explanation is required only for English-language documents over twenty-five pages, and for non-English-language documents of any length.”

174. *Migliorini*, *supra* note 26, at 230 (“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 . . .”).

175. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995) (“Failure to cite to the PTO a material reference cited elsewhere in the world justifies a strong inference that the withholding was intentional.”).

176. *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1368 (Fed. Cir. 2003).

177. There are 184 PCT member states. See World Intellectual Property Organization [WIPO], Member States, <http://www.wipo.int/members/en> (last visited Oct. 26, 2007).

178. Australia, Canada, Israel, and Japan are all within the top fifteen countries of origin for the total number of PCT patent filings in 2006, and India is ranked third of all developing countries. See WIPO, THE INTERNATIONAL PATENT SYSTEM IN 2006: PCT YEARLY REVIEW 3 tbl.2.2, 4 tbl.2.4 (2006), http://www.wipo.int/pct/en/activity/pct_2006.pdf.

B. Country-Specific Requirements

1. Australia

Australia amended its duty of disclosure requirements on October 22, 2007.¹⁷⁹ The new amendments effectively abolish patent applicants' duty to disclose documentary searches conducted by or on behalf of foreign patent offices for corresponding applications.¹⁸⁰ However, the new regulations are not retrospective—if applicants should have disclosed results prior to October 22, 2007, then they still must provide such results to the Commissioner of Patents.¹⁸¹ Therefore, patent applicants for Australian Innovation Patents¹⁸² or Standard Patents¹⁸³ who should have filed foreign search results before October 22, 2007 must still submit these search results to the Commissioner of Patents. Unlike the United States' duty of candor, it does not matter whether the patent applicant considers the prior art search results

179. IP AUSTRALIA, OFFICIAL NOTICE: CHANGES TO REGULATIONS MADE UNDER SECTIONS 27(1), 45(3) AND 101D OF THE *PATENTS ACT 1990*, OCT. 18, 2007, http://www.ipaustralia.gov.au/resources/officialnotices_p2007.shtml (scroll down to "Patents Amendment Regulations 2007 (1)" and select hyperlink).

180. *The Abolition of the Duty of Disclosure and Other Issues*, FOCUS: PATENTS, DESIGNS AND TRADE MARKS (Allens Arthur Robinson, Austl.), Dec. 2007, <http://www.aar.com.au/pubs/pdf/pta/fopta/dec07.pdf>. The Australian duty of disclosure has a lengthy legislative history. The Australian Patents Amendment Act of 2001 amended the Patents Act of 1990. Patents Amendment Act, 2001 (Austl.), available at <http://scaleplus.law.gov.au/html/comact/11/6457/pdf/160of2001.pdf>; see also *Don't Get Caught Out—Changes to the Duty of Disclosure for Australian Patents and Applications*, FOCUS: PATENTS, DESIGNS AND TRADE MARKS (Allens Arthur Robinson, Austl.), Aug. 2003, <http://www.aar.com.au/pubspta/pta/fopdtaug03.htm>. The Amendment included a new duty of disclosure provision requiring applicants to provide the Australian Patent Office with all patent and non-patent documents known to the applicant, including private patentability searches. See Patents Amendment Act 2001, § 14, sched. 1 (amending subsection 45(3) of the Patents Act 1990). This Act was amended in 2003 to limit the disclosure requirement to any documentary searches conducted by or on behalf of foreign patent offices for corresponding applications. Intellectual Property Laws Amendment Act, 2003, § 2, sched. 2, available at <http://scaleplus.law.gov.au/html/comact/11/6653/pdf/0482003.pdf> (repealing subsection 45(3) of the Patents Act 1990).

181. IP AUSTRALIA, *supra* note 179, at 1 ("[I]f the final date by which an applicant or patentee was required to inform the Commissioner of the results of a search under the regulations was before 22 October 2007, and the Commissioner was not informed of the results of the search by that final date, the results of that search remains [sic] outstanding. The amending legislation does not excuse any past failure to comply with the disclosure obligations.").

182. An Innovation Patent is an inexpensive, fast-track patent for inventions that do not meet the threshold level of inventiveness required for Standard Patents. Innovation Patents only last a maximum of eight years. See generally IP AUSTRALIA, THE INNOVATION PATENT, http://www.ipaustralia.gov.au/patents/what_innovation.shtml (last visited Oct. 28, 2007).

183. The Standard Patent correlates more closely to the U.S. utility patent, and protects an invention for up to twenty years. See IP AUSTRALIA, WHAT IS A PATENT, http://www.ipaustralia.gov.au/patents/what_index.shtml (last visited Oct. 29, 2007).

material to the examination of the application. All results¹⁸⁴ from patent office searches, regardless of relevance, must be disclosed.¹⁸⁵

Applicants must submit search results within six months after requesting examination,¹⁸⁶ or within six months after the date that the foreign patent office completed the search, whichever is later.¹⁸⁷ Extensions of time can be obtained up to three months after the publication of the notice of acceptance for a fee.¹⁸⁸ If applicants do not disclose the required search results to the Commissioner of Patents, then they lose their right to amend claims after the patent's issuance.¹⁸⁹

2. Canada

The Canadian Patent Rules require patent applicants to provide details of any prior art identified by foreign patent offices during prosecution of corresponding patent applications.¹⁹⁰ Applicants may voluntarily submit these results when requesting examination, or they may wait for the Patent Office's formal request.¹⁹¹ Upon the Examiner's request, applicants have six months to comply with the disclosure requirement, and failure to do so may lead to the application's abandonment.¹⁹²

184. But copies of references are not required. *Id.*

185. *Don't Get Caught Out—Changes to the Duty of Disclosure for Australian Patents and Applications*, *supra* note 180 (“The Australian provisions require the disclosure of all results of patent office searches, irrespective of the relevance of the results to the patentability of the invention disclosed in the application.”). Also, the categorization symbol for references, e.g. X, Y, or A, should be included, particularly for the E.P.O. and U.K. Patent Offices.

186. But note that there are no disclosure requirements for applicants requesting modified examination, a fast-track examination process for applicants with a patent application for the same invention in U.S., Canada, New Zealand or a country that is signatory of the EPC. *See* IP AUSTRALIA, MODIFIED EXAMINATION (2005), <http://www.ipaustralia.gov.au/pdfs/patents/specific/modified.pdf>.

187. Applicants for Innovation Patents have a shorter three-month time frame. *See* IP AUSTRALIA, *supra* note 179.

188. *Id.*

189. Patents Amendment Act 2001, § 22, sched. 1, *available at* <http://scaleplus.law.gov.au/html/comact/11/6457/pdf/160of2001.pdf> (inserting new subsection 102(2C) into the Patents Act 1990).

190. Patent Rules, SOR/96-423, § 29 (Can.), *available at* <http://laws.justice.gc.ca/en/showtdm/cr/SOR-96-423>.

191. If patent applicants wait for the examiner's request, then in addition to prior art they may also have to provide details of conflict, opposition, reexamination or similar proceedings and a translation of all prior art not in English or French. CANADIAN INTELL. PROP. OFFICE, MANUAL OF PATENT OFFICE PRACTICE § 13.04 (1998), http://www.ic.gc.ca/sc_mrksv/cipo/patents/mopop/mopop-e.pdf.

192. Patent Act, R.S., ch. P 4, § 73(1)(a) (1985), *available at* <http://laws.justice.gc.ca/en/showtdm/cs/P-4//en>.

3. Europe

The European Patent Convention governs patent practice before the European Patent Office (EPO).¹⁹³ The Convention contains no duty of candor requirements for patent applicants seeking European patents; patent examiners alone must find all prior art during prosecution.¹⁹⁴

The EPO has a bifurcated patent system with separate Search and Examining Divisions, each having its own examiners.¹⁹⁵ The Search Examiners must search all in-house or external collections of documents and databases to discover the state of the art relevant to the novelty and inventive step aspects of the invention in question, as well as provide a written opinion about whether the application meets the EPC requirements.¹⁹⁶ The examiner for the Examining Divisions reviews the Search Examiner's findings, conducts the substantive examination of the application, and makes the final decision of patentability for the invention.¹⁹⁷

Although no prior art is required from patent applicants, members of the public have the opportunity to submit relevant art while the application is pending and during the nine-month opposition period following a patent's issuance.¹⁹⁸

193. Convention on the Grant of European Patents, Nov. 29, 2000 (entered into force Dec. 13, 2007), available at <http://www.epo.org/patents/law/legal-texts/epc.html> (select "Download PDF Version"). This is the updated version of the previous Convention on the Grant of European Patents, Oct. 5, 1973, 13 I.L.M. 270 (1974). See also the list of members of the contracting states to the EPC, at European Patent Office, Member States of the European Patent Organisation, <http://www.european-patent-office.org/epo/members.htm> (last visited Oct. 30, 2007).

194. Noël J. Akers & David P. Owen, *Skeletons in the Closet: No Duty of Candor in Europe Can Cause Problems in the U.S.*, PATENT STRATEGY & MGMT., Jan. 2002, at 1, available at <http://www.howrey.com/practices/ip/index.cfm?contentID=261> ("[T]he European system places the burden of finding relevant prior art squarely on the shoulders of the patent office. An applicant for a patent in Europe may choose to remain completely silent about prior art it is aware of, no matter how relevant."). The authors go on to explain that although not required, many applicants choose to voluntarily provide prior art to reduce the chance of successful oppositions. *Id.*

195. EUROPEAN PATENT OFFICE, GUIDELINES FOR EXAMINATION IN THE EUROPEAN PATENT OFFICE pt.B ch.I-1, pt.E ch.XII-2 (2007), available at <http://www.epo.org/patents/law/legal-texts/guidelines.html> (go to "Download Complete Guidelines").

196. *Id.* at pt.B, ch.II-1.

197. *Id.* at pt.C, ch.VI.

198. See Article 115, entitled "Observations of Third Parties" of the Convention on the Grant of European Patents, *supra* note **Error! Bookmark not defined.** (explaining that members of the public can submit their observations of the invention's patentability after the patent application has published). See also EUROPEAN PATENT OFFICE, *supra* note **Error! Bookmark not defined.**, at pt.D, ch.III-1 (explaining that a notice of opposition must be given to the EPO within nine months from the publication of the mention of the grant of the European patent). Examples of grounds for opposition include: the subject matter is not new or involve an inventive step; it is not susceptible of industrial application; the patent does not disclose the invention sufficiently enough for one to practice it. The subject matter of the patent overreaches that disclosed in the application. *Id.*

4. India

Under amended §§ 8(1) and 8(2) of the Indian Patents Act,¹⁹⁹ applicants for Indian patents must file a statement listing the details of all corresponding applications.²⁰⁰ Applicants must continue to provide these details to the Indian Patent Office within six months of filing any corresponding applications.²⁰¹ Applicants must also submit search results from foreign patent offices within six months from receipt of the Controller's request; extensions of time are available upon petition and payment of fee. The Controller can also request the following information from applicants: (1) objections by foreign patent offices regarding novelty or patentability, and (2) amendments made to specification or claims during foreign patent prosecution.²⁰²

5. Israel

On August 10, 1995, the Israeli Parliament amended Israel's Patents Law.²⁰³

Section 18 of the Patents Law allows the Israeli Patent Office to require patent applicants to provide detailed prior art at all times during the patent prosecution process (and during oppositions, if applicable).²⁰⁴ The required prior art includes a listing of references cited by, or provided to, foreign patent offices for corresponding patents or patent applications.²⁰⁵

199. The primary statute for Indian patent law is The Patents Act, No. 39 of 1970, *available at* http://www.wipo.int/clea/docs_new/pdf/en/in/in004en.pdf. The Act has been amended five times, the most recent being The Patents (Amendment) Act, No. 15 of 2005, 18 Gazette of India: Extraordinary, pt.2, § 1, at 1 (2005), *available at* http://patentoffice.nic.in/ipr/patent/patent_2005.pdf. In addition to the Patent Act, there are also Patent Rules. For an excellent summary on The Patents Act 1970, and Indian patent practice generally, see MANOJ PILLAI ET AL., PATENT PROCUREMENT IN INDIA (2007), www.ipoef.org/AM/Template.cfm?Section=Programs&Template=/CM/ContentDisplay.cfm&ContentID=15238.

200. The statement must include the country names, serial numbers, and dates of filing. See Law No. 39 of 1970, § 8(1)(a).

201. See *id.* § 8(a)(b); see also The Patent (Amendment) Rules, 2006, 455 Gazette of India: Extraordinary, pt.2, § 3(ii), at 6 (2006), *available at* http://ipindia.nic.in/ipr/patent/patent_rules_2006.pdf (amending rule 12 of The Patent Rules, 2003, so that the time period has been extended from three months to six months).

202. See Law No. 39 of 1970, § 8(2).

203. Patents Law, 1967, Sefer HaHukim (S.H.) 148, *available at* http://www.wipo.int/clea/docs_new/pdf/en/il/il001en.pdf. The Patents Law was amended by Amendment No. 2 in 1995. For more information about Amendment No. 2, see Michael Cohn, Israel: Amendment of the Israeli Patents Act, http://www.rctm.co.il/wps/portal/!ut/p/_s_7_0_A/7_0_9F (follow "Publications" hyperlink, then "Articles" hyperlink, then select "Israel: Amendment of the Israeli Patents Act") (last visited Oct. 31, 2007).

204. S.H. 148, § 18A; Cohn, *supra* note 203, § 5.

205. S.H. 148, § 18(a)(1). Regarding oppositions, see Cohn, *supra* note 203 (commenting on several decisions where the Registrar ruled that applicants' duty to disclose extended to opposition proceedings).

The Israeli Patent Office can also require applicants to provide *any* relevant prior art known to them, regardless of whether such art was cited by or to other patent offices.²⁰⁶ Because of these broad disclosure categorizations, applicants should provide at least the following information: (1) patent and non-patent references cited during prosecution of corresponding foreign applications, including Search Reports, Notice of References Cited, Office actions, IDSs; and (2) patent and non-patent references cited during opposition proceedings. The Patent Office may also require applicant to provide copies of all prior art.²⁰⁷

The Patent Office can impose strict sanctions for non-compliance or willful deception of § 18 requirements, including invalidation of patent rights. Section 18C permits the court or Registry to: (1) revoke the patent or not grant the patent, (2) grant a compulsory license under the patent to anyone who requests such license, or (3) order a shortened patent term.²⁰⁸ Additionally, under Israeli penal law, the court can fine anyone “who delivered the misleading particular or who knowingly did not keep the Office up-to-date on the list of publications and documents.”²⁰⁹

6. Japan

On September 1, 2002, § 36(4) of the Japanese Patent Law was amended to reflect new duty of disclosure requirements for national and international patent applications filed after the amendment date.²¹⁰

The Japanese Patent Office (JPO) allows applicants to include prior art citations in the patent specification at the time of filing.²¹¹ Applicants are allowed to amend the specification at a later date to add citations without the amendments being considered new matter.²¹²

206. S.H. 148, § 18(a)(2); *see also* Cohn, *supra* note 203.

207. S.H. 148, § 18(a)(3).

208. *Id.* § 18C(1).

209. *Id.* § 18C(2).

210. *See* EXAMINATION STANDARDS OFFICE, JAPAN PATENT OFFICE, EXAMINATION GUIDELINES ON REQUIREMENT FOR DISCLOSURE OF INFORMATION ON PRIOR ART DOCUMENTS (2002) http://www.jpo.go.jp/tetuzuki_e/t_tokkyo_e/pdf/prior_art_doc.pdf; *see also* EXAMINATION STANDARDS OFFICE, JAPAN PATENT OFFICE, PUBLICATION OF THE “EXAMINATION GUIDELINES ON REQUIREMENT FOR DISCLOSURE OF INFORMATION ON PRIOR ART DOCUMENTS” (2002), http://www.jpo.go.jp/tetuzuki_e/index.htm (Scroll down to “Publication of the ‘Examination Guidelines on Requirement for Disclosure of Information on Prior Art Documents’ 30.8.2002” and select hyperlink). The new requirements do not affect international applications filed before September 1, 2002 that enter the Japanese national phase after that date, or pending Japanese applications that entered the Japanese national phase before September 1, 2002. *See* Shusaku Yamamoto, I.P. JAPAN, Fall/Winter 2002–2003, at 3 (Japan), *available at* <http://www.shupat.gr.jp/library/ipjapan/index.html> (select “Fall/Winter 2002/03”).

211. Shusaku Yamamoto, *supra* note 210, at 4.

212. *Id.*

The JPO can issue Office actions requiring disclosure of prior art documents. Applicants may either amend the specification to include the references, or may argue that they are unaware of any prior art documents.²¹³ However, there is no ongoing duty to submit prior art documents to the JPO.²¹⁴

Failure to comply with disclosure requirements may result in the JPO issuing an Office action; the applicant will then have the chance to respond. Failure to respond may be grounds for refusal, but non-compliance will not invalidate the patent and will not provide grounds for opposition.²¹⁵

C. *How Foreign Duty of Disclosure Requirements Affect U.S. Patent Practice*

Following *Molins* and *Dayco*, material references cited in foreign applications must be provided to the USPTO, and rejections from foreign examiners may also be material and subject to disclosure.²¹⁶ In addition to these disclosure obligations, however, U.S. applicants must also consider how their compliance with foreign disclosure laws may affect the enforceability of their U.S. patents if the USPTO's proposed Rules are adopted.

At a minimum, applicants must cross-cite material information resulting from corresponding foreign applications and disclose the same to the USPTO;²¹⁷ they should never withhold material information from any patent office. However, U.S. patent applicants must make a series of additional disclosure decisions if the USPTO's proposed Rules or the Patent Reform Act of 2007 are passed. If the Rules and The Patent Reform Act of 2007, as drafted, are passed, then in order to avoid inequitable conduct allegations prudent applicants will submit both material and relevant documents for the examiner's review. However, there will be significant costs to applicants for such over-disclosure because of the new relevancy statement requirements for references more than twenty-five pages long,

213. *Id.*

214. *Id.*

215. *Id.*

216. Although *Dayco* discusses rejections made by other U.S. patent examiners, there is no reason to think that rejections from foreign patent examiners are immune if they relate to substantially similar claims. See White, *supra* note 156 ("If a foreign examiner takes a position that contradicts your implied assertion of patentability of substantially similar claims, it logically follows from the *Dayco* holding that these documents themselves are subject to the duty of disclosure.").

217. White, *supra* note 156 (recommending cross-checking foreign prosecution: "Check for and cross-cite material information resulting from foreign counterpart applications. This includes not only the references cited, but also the actual Search Reports, Written Opinions, Examination Reports and Office Actions issued by foreign patent offices.").

foreign documents of any length, or submissions totaling more than twenty references.

To minimize costs, it is possible that applicants may try to stay within the disclosure limits by the following practices:²¹⁸ First, applicants may cull all references that are cumulative or only marginally relevant. Submitting cumulative or marginally relevant references was ill-advised under the previous Rules because it could lead to an inference of burying, and is illogical under the current Rules where applicants must write relevancy statements for references exceeding the twenty-document threshold.²¹⁹ Second, applicants may list relevant but clearly non-material references in the patent specification. Although the examiner does not have to consider references listed in specifications, at least including references in the specification gets them in the patent record.²²⁰ Further, if a foreign examiner reads the references included in a specification and cites them in a foreign search report, then the applicant can submit the search report to the USPTO for “free” (no additional disclosure necessary).²²¹ Third, applicants may wish to discuss background references in their responses to Office actions. Again, this will get the references on record, but the examiner need not consider the reference.²²² Finally, applicants may consider filing an international PCT application first. The international search report will contain the first cut of references. Therefore, there will be fewer references to add to the twenty-document threshold under the new USPTO Rules.

A major public interest concern under this scenario is that the quality of patent applications may decrease. Because the duty of candor attaches to applicants’ knowledge of material art, it is not advantageous for applicants to understand the state of the art. If the Rules are codified, but not the Patent Reform Act of 2007, then private patentability searches may de-

218. This discussion is limited to a theoretical discussion of what may occur, and is not a recommendation of any of these practices.

219. *Rules*, *supra* note 4, at 38808.

220. *Id.* at 38813 (explaining that documents not included in the IDS but mentioned in the specification would not be counted toward the twenty document threshold number, but that also the examiner has no obligation to review such references); *see also* MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 609IIC(1), regarding non-complying IDSs. However, this author wonders what effect references will have if they are in the record, but not considered by the examiner—presumably this would not suffice to avoid inequitable conduct allegations.

221. “For IDSs submitted in the first time period, applicant may submit documents resulting from a foreign search or examination report where a copy of the report is submitted . . . without triggering any additional disclosure requirements.” *Rules*, *supra* note 4, at 38814.

222. *Id.* (“In the isolated situation where applicant wishes to identify a purely background document after a first Office action on the merits, the document can be discussed as part of the Remarks/Arguments section of a reply to the Office action.”).

crease.²²³ Because applicants would have no affirmative duty to undertake prior art searches, either currently or under the proposed Rules, a head-in-the-sand approach is more cost-effective.²²⁴ As the IPO points out in their Comments, the Proposed Rules in effect penalize large corporations for undertaking preliminary patentability searches because they place extra burdens on the applicants if the applicants identify more than twenty material documents.²²⁵ It is illogical to penalize patent applicants in this manner. Patentability searches unearth the most relevant references, which applicants then disclose to the USPTO. This makes the USPTO's internal search and examination process more efficient, and results in higher quality patents for the public good.

If the Patent Reform Act of 2007 is enacted with the proposed search report and analysis requirements, then applicants will still conduct searches but their value may decrease. If applicants know that their search reports will be part of the public record, and subject to inequitable conduct allegations, then they may conduct more limited searches. They may also wish to minimize the fees they pay to professional searchers and patent attorneys. This would contravene the entire purpose of patentability searches, and potentially negatively impact the quality of patent applications and granted patents.

223. "May" is used here because it is unknown whether applicants will go through the effort and expense of filing a patent application without first learning whether similar inventions already exist. However, private patentability searches can cost more than the initial filing fees, and applicants, especially smaller applicants, may want the USPTO do the prior art search because they save money on search costs and IDS filing costs.

224. Letter from Susan Barbieri Montgomery, Chair, American Bar Association Section of Intellectual Property Law, to John Doll, Commissioner for Patents, at 4 (Sept. 11, 2006), available at <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/ids.htm> (follow "American Bar Association Section of Intellectual Property Law" under "Intellectual Property Organizations and Government Agencies") ("Naïve Applications will face little burden because they will have no references to cite. Thus, the burden will fall disproportionately on the knowledgeable Applicant. Moreover, this may serve as a further disincentive to search in the first place, certainly not the outcome the Office would desire."). The MPEP makes a special point of emphasizing the duty to disclose "all material [individuals covered by 37 C.F.R. § 1.56] are aware of regardless of the source of or how they become aware of the information," MANUAL OF PATENT EXAMINING PROCEDURE, *supra* note 9, § 2001.06. *But see* Cordis Corp. v. Boston Sci. Corp., 188 F. App'x 984, 987 (Fed. Cir. 2006) ("Although as a general rule a party has no affirmative duty to search for relevant prior art . . . 'one should not be able to cultivate ignorance, or disregard numerous warnings that material information or prior art may exist, merely to avoid actual knowledge of that information or prior art.'") (citing *FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521, 526 n.6 (Fed. Cir. 1987)).

225. Adler, *supra* note 49, at A-i ("The proposed rules . . . make it extraordinarily difficult for applicants to meet their duties. The problems are especially acute for [] patent applications for which a preliminary patentability search has been conducted, as is often the case with larger corporations (thus penalizing such corporations for likely making the examination process more efficient by pre-locating many of the most relevant references).").

V. POSSIBLE SOLUTIONS

This Part proposes three possible solutions for improving the U.S. IDS submission and examination process. These solutions include: (1) adopting the European model of search and examination procedures, (2) fining applicants for frivolous IDS submissions, and (3) adopting a peer-review system of prior art examination.

A. *Adopt European Model*

No patent system is perfect, but patent applicants generally view the European Patent Office as giving high quality search reports.²²⁶ European examiners find material prior art despite there being no duty of disclosure obligation.

The reasons for the European system's success in this regard would require detailed analysis. However, certain differences are apparent.²²⁷ Patent examination in Europe is split between two examiners, whereas in the U.S. one examiner performs both aspects of examination.²²⁸ Although this may change at some point,²²⁹ the current splitting of searching and substantive examination seems to allow examiners more time to focus on their respective duties. Also, European patent examiners are well compensated and tend to be "career employees."²³⁰

One of the clearest messages from the USPTO is that it is overwhelmed by applicants submitting cumulative or immaterial patent references. If so, one simple solution, again following the European model, would be to eliminate the duty of candor requirement altogether. Instead of

226. Wegner, *supra* note 80, at 222 ("There is no more helpful single document for the most important cases than the European Search Report.").

227. One compelling difference may be as simple as attitude. The EPO's Guidelines for Examination remind the examiners that: "The attitude of the examiner is very important. He should always try to be constructive and helpful. While it would of course be quite wrong for an examiner to overlook any major deficiency in an application, he should have a sense of proportion and not pursue unimportant objections." EUROPEAN PATENT OFFICE, *supra* note 184, pt.C, ch.I, § 2.

228. Wegner, *supra* note 80, at 223 n.35 (explaining that European examiners' workload is far less than their American counterparts, stating "[t]he number of searches conducted by the Hague Examiner is roughly of the same order of magnitude as the disposals for an American Examiner, who for each disposal must both search and completely examine a patent application.").

229. Regarding the European Bringing Examination and Search Together (BEST) project for a unified search and examination process, see John A. Jeffery, Comment, *Preserving the Presumption of Patent Validity: An Alternative to Outsourcing the U.S. Patent Examiner's Prior Art Search*, 52 CATH. U. L. REV. 761, 774 (2003).

230. Wegner, *supra* note 80, at 222. ("The European Search Report is prepared by an elite diplomatic corps of international examiners headquartered in The Hague. The great status of the position of such an examiner coupled with salary and prerequisites leads to career employees, as opposed to the frequent turnover in the United States. The European search examiners are each multilingual and specialize in searching patent applications.").

being swamped with references, examiners could conduct searches themselves and immediately focus on the references they consider material to patentability. This would also eliminate inequitable conduct allegations of burying, mischaracterizing references,²³¹ or failing to disclose.

The concern, of course, is that examiners might miss a key piece of prior art that only the applicant knows of. However, if the applicant knows of the reference, it is logical that his key competitors also are aware of the reference.²³² If a European-style opposition system were adopted as proposed by the Patent Reform Act of 2005, then there would be a mechanism for third parties to oppose newly issued patents on the grounds that key references were not considered during prosecution.²³³ This safeguard might be all that is needed to ensure that the right prior art is considered by patent examiners.

B. *Pay Higher Fees or Impose Sanctions*

Perhaps the USPTO is correct that “We can not hire our way out!!!”²³⁴ However, common sense suggests that offering better salaries and working conditions would help improve the historically poor retention rate of U.S. examiners.²³⁵ Higher fees can be charged to applicants who submit more than twenty references, and these fees can be used to increase examiners’ salaries or to redesign the USPTO’s internal examination process, ideally to provide the examiners with more time to review prior art references.²³⁶

231. Unless such mischaracterization occurs during prosecution, for example, as in a response to an Office action.

232. However, this is not the case if the reference is a “public use” under 35 U.S.C. § 102(b) that no one but the applicant knows of, or likewise a printed publication that no one has read; For a recent decision about a failure to disclose a sale rising to the level of inequitable conduct, *see generally* *Dip-pin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1346 (Fed. Cir. 2007).

233. Nolan-Stevaux, *supra* note 89, at 156 (“Because the United States does not have a formal opposition proceeding during which an applicant’s competitors may submit relevant prior art before a patent issues, the PTO depends upon examiners and applicants to cover the full scope of the prior art.”). For details about post-grant oppositions in proposed new chapter 32, see Patent Reform Act of 2005, H.R. 2795, 109th Cong. § 9 (2005).

234. Doll, *supra* note 34.

235. In FY 2004, 443 patent examiners were hired, and 336 left. In FY 2005, 959 patent examiners were hired, and 425 left. Doll, *supra* note 34.

236. *See* Adler, *supra* note 49, at A-i (“The Information Disclosure Statement (IDS) process has been a well integrated, procedurally-balanced system. An imbalance in the system is that the USPTO has under-priced the fee that [is] charged for reviewing prior art submitted after examination. That fee should probably increase from \$180, where it has been for almost fifteen years. The additional funds generated by this change could be used by the USPTO to provide the examining corps additional time to review applications with atypically large numbers of submitted references and/or large numbers of pages in such submitted references.”).

Moreover, perhaps all that is necessary to dissuade applicants from submitting cumulative references is a surcharge for excess references. 3M suggested this in its comments about the proposed Rule changes:

Applicants would be entitled to a review of twenty references with the basic filing fee, but would be required to pay a surcharge commensurate with the added burden on the PTO for examination of additional references. Alternatively, if the PTO implements the characterization requirement, applicants would have the option to pay the surcharge rather than characterize the references.²³⁷

While it is easy for applicants to take the “better safe than sorry” approach and submit everything known under the sun, if extra fees are involved it is likely this *laissez-faire* attitude would change.

Another alternative would be to fine applicants or attorneys who waste examiners’ time by submitting clearly non-relevant art. If the fines do not stop repeat offenders, perhaps suspension of patent attorneys or agents from practicing in front of the USPTO would be appropriate if their large IDS submissions reach the stage of frivolousness.²³⁸

C. Peer-Review System

Finally, one of the most innovative approaches to patent reform is an open source project for the collaborative peer review of prior art—the Peer to Patent Project.²³⁹ This project, the brainchild of a New York Law School professor²⁴⁰ and now a formal initiative led by the New York Law School and the USPTO,²⁴¹ recognizes that examiners are overburdened in part

237. Letter from Spielbauer et al., 3M Innovative Properties Co., to Jon W. Dudas, Under Secretary of Commerce for Intellectual Property and Director of the USPTO (Sept. 8, 2006) available at <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/ids.htm> (follow “3M Innovative Properties Company” hyperlink under “Corporations and Associations”); see also Adler, *supra* note 49, at A-vii.

238. A rule similar to Rule 11 of the Federal Rules of Civil Procedure may be appropriate.

239. The Peer to Patent Project: Community Patent Review, <http://dotank.nyls.edu/community/patent> (last visited Nov. 2, 2007).

240. Nicholas Varchaver, *Patent Review Goes Wiki*, FORTUNE, Aug. 21, 2006, at 18 (“New York Law School professor Beth Noveck floated the idea on her blog last July, inspiring an article in *Wired News*. That, in turn, attracted the attention of IBM, which got behind the idea.”).

241. Press Release, New York Law School, Patent Applications from Microsoft, IBM and Intel Now Open for Public Review (July 9, 2007), <http://www.nyls.edu/pages/5710.asp>. The USPTO included working with the peer review consortium in the first objective entitled “provide high quality examination of patent applications” of their Strategic Plan. USPTO, 2007–2012 STRATEGIC PLAN 3 (2007), <http://www.uspto.gov/web/offices/com/strat2007/stratplan2007-2012.pdf>; see also Press Release, USPTO, USPTO to Test Impact of Public Input on Improving Patent Quality in the Computer Technologies (June 7, 2007), <http://www.uspto.gov/web/offices/com/speeches/07-21.htm> (explaining “USPTO supports expanding the ability of third parties to submit to the USPTO information they believe is pertinent to a pending application, a concept included in patent modernization legislation now under consideration in the U.S. Congress. In combination, the peer review pilot, applicant quality

because they are chronically understaffed, lack robust searching systems (at least for non-patent prior art),²⁴² and are exposed to ever-changing technical fields.²⁴³ But good search systems exist, as do people knowledgeable in technical areas. The open collaboration project proposes using the “wisdom of the crowd”²⁴⁴ by tapping into the public’s knowledge of and access to prior art to help patent examiners find and hone in on material art. The project is not intended to replace patent examiners.²⁴⁵

Using open collaboration, we can make it easier for the public to help patent examiners find and appreciate prior art. Public knowledge can become a resource that patent examiners can access, and not in a way that will overwhelm the patent examiner with extraneous information. The public can help—not disadvantage—the patent examiners.²⁴⁶

How would this work? An internet-based system, similar to online encyclopedia Wikipedia®,²⁴⁷ will allow interested third parties or “peers” to identify and provide commentaries on prior art related to published patent applications of willing patent applicant participants.²⁴⁸ The internet system will automatically rate the prior art references identified and will submit only the top-rated art to patent examiners along with the reviewers’ commentaries. A pilot program already is underway as of June 15, 2007, where willing project participants allow third parties to evaluate their published patent applications and submit prior art and commentaries.²⁴⁹

submissions and expanded third party submissions encourage a highly participatory examination process that will lead to more efficient and effective review of patent applications.”).

242. Hricik, *supra* note 12, at 224–25 (“Though charged with determining whether a claimed invention is distinct from the entire body of prior public knowledge and uses, patent examiners have almost no investigatory powers—no labs, no independent scientists, and have almost no way to compel disclosure of information from applicant. In addition, while examiners have computerized, searchable access to millions of U.S. patents, they do not have the same ease of access to non-patent-based information.”).

243. See Manny W. Schechter, *Open Collaboration is Medicine for Our Ailing Patent System*, 72 BNA PATENT, TRADEMARK & COPYRIGHT J. 682 (2006), available at http://dotank.nyls.edu/communitypatent/BNA_10-20-06.html (“Patentable subject matter has also expanded into areas for which prior art is not as accessible to patent examiners.”).

244. *Proponents Tout Plan for Web-Based Peer Review of Prior Art for Patent Searches*, 72 BNA PATENT, TRADEMARK & COPYRIGHT J. 534 (2006) (quoting Beth Simone Noveck discussing the Jefferson-based idea that expertise is decentralized).

245. Schechter, *supra* note 243 (discussing project concerns and solutions).

246. *Id.*

247. See Varchaver, *supra* note 240. But see Cairns Blog, <http://cairns.typepad.com/blog/> (Aug. 29, 2006). The creator of the Community Patent Review Project, Beth Noveck, distinguishes that while a wiki is an online collaborative editing tool, no editing of patent applications will take place in the Project. Instead, Noveck analogizes the Project to Wikipedia only to convey “the appropriate sense of openness, transparency and collaboration.” *Id.* But Noveck emphasizes that the Community Patent Review only uses a software system for open peer review.

248. The patent applicant’s participation in this peer-review system is purely voluntary. See *Proponents Tout Plan for Web-Based Peer Review of Prior Art for Patent Searches*, *supra* note 244.

249. See USPTO, *Pilot Concerning Public Submission of Peer Reviewed Prior Art*, OFFICIAL GAZETTE OF THE U.S. PAT. & TRADEMARK OFFICE (PATENTS), June 26, 2007, <http://www.uspto.gov/>

There are, of course, concerns.²⁵⁰ Will third parties subvert the opportunity to comment on their competitors' inventions for their own benefit? Will the patent examination process be even further delayed because examiners will spend too much time considering third party entries? Will patent applicants be charged with inequitable conduct if they do not forward peer-identified references to the USPTO? Because this project is in its infancy, there are a myriad of questions. However, this is a clever approach to the problem of prior art disclosure. The fact that it has support from the USPTO, academia, and major companies²⁵¹ highlights the general recognition of the need to resuscitate the U.S. prior art disclosure system,²⁵² and the appreciation of a novel system that melds public interest with innovative technology.

CONCLUSION

U.S. patent applicants must be able to disclose prior art to the USPTO free from the shackles of "threshold limits" of references, and without fear of inequitable conduct allegations. The USPTO's new proposed IDS Rules will only add time and expense to an already lengthy and expensive process, and ultimately will lead to poorer quality patents because applicants may choose to "meet" the threshold limit at the expense of disclosing relevant prior art.

web/offices/com/sol/og/2007/week26/patsuba.htm; The Peer to Patent Project: Community Patent Review, The Peer-to-Patent Website is Now Live!, <http://dotank.nyls.edu/communitypatent/about.html> (last visited Nov. 2, 2007) (commenting on the June 15, 2007 launch, and how 250 pending patent applications in Computer Architecture, Software, and Information Security are open for public commentary per the Peer-to-Patent procedures); *see also* The Peer to Patent Project: Community Patent Review, Updated Analytics 7.17.07, http://dotank.nyls.edu/communitypatent.org/peertopatent_status (last visited Nov. 2, 2007) (reporting that in the first month of the pilot, 1078 people signed up to be reviewers and have posted thirty-two instances of prior art for seven applications).

250. *See* Schecter, *supra* note 243 (discussing Project concerns and solutions).

251. Microsoft, Hewlett Packard, Red Hat, Intel, GE, and Oracle are just some of the companies that have already pledged support. Schecter, *supra* note 243.

252. Congress also recognizes the value of third party submissions, albeit not necessarily an open source system. See section 7, entitled "Submissions by Third Parties and Other Quality Enhancements," Patent Reform Act of 2007, S. 1145, 110th Cong. § 7 (as reported by S. Comm. on the Judiciary, Jan. 24, 2008) (proposing to amend 35 U.S.C. by adding new § 122(e) entitled "Preissuance Submissions by Third Parties."); *see also* SENATE COMM. ON THE JUDICIARY, THE PATENT REFORM ACT OF 2007, S. REP. NO. 110-259, at 24 (2008) ("After an application is published, members of the public—most likely, a competitor or someone else familiar with the patented invention's field—may realize they have information relevant to a pending application. The relevant information may include prior art that would prohibit the pending application from issuing as a patent. Current USPTO rules permit the submission of such prior art by third parties only if it is in the form of a patent or publication, and the submitter is precluded from explaining why the prior art was submitted or what its relevancy to the application might be. Such restrictions decrease the value of the information to the examiner and may, as a result, deter such submissions.").

The USPTO's proposed Rules also will also create a new playground for patent infringers, who will have a field day finding mistakes in applicants' relevancy statements and will search foreign patent file wrappers for any prior art not disclosed in U.S. counterpart applications. The danger of potential allegations of inequitable conduct from infringers may be so great that ultimately patent applicants may adopt an ostrich-like approach to IDS disclosures—they will not conduct any patentability searches so that they do not learn of any references. Although applicants will submit fewer IDS references, they will submit more patent applications because they will not have searched for blocking prior art themselves. This will also lead to poorer quality patents, since patent examiners will have to conduct all searches themselves for more applications.

Perhaps U.S. patent examiners are overburdened, but solutions other than the USPTO's proposed IDS Rules exist to fix this problem. If the patent infringement defense of inequitable conduct were abolished as proposed under the Patent Reform Act of 2005, patent applicants likely would have no reason to submit masses of references, since they would no longer fear being accused of hiding references.

Increasing patent examiners' salaries and restructuring their jobs based on the European model would likely have positive results, as would fining patent applicants who file "frivolous" prior art or charging extra fees for lengthy or numerous prior art references.

Finally, the Community Patent Review project is one of the most innovative approaches to "fixing" the search and examination problems the USPTO faces. In a wiki-like system, the public at large could read patent applications and submit references they believe are relevant for the patent examiner's review. The patent examiner would receive the top ten rated references based on the number of times the public cites such references. In this way, the public's expertise in technical and scientific fields could be harnessed to promote a more focused and relevant search by patent examiners. This ultimately could lead to a more efficient search and examination process and improved patent quality, which is, after all, the USPTO's "vision."²⁵³

253. USPTO, *supra* note 31.