



MCKESSON INFORMATION SOLUTIONS, INC. Case Brief

v.

BRIDGE MEDICAL, INC.

Authored by: Charles Niebylski, Ph.D.
[Official Cite] No. 2006-1517, May 18, 2007

JUDGES: Before Newman and Bryson, Circuit Judges, and Clevenger, Senior Circuit Judge.

OPINION BY: Clevenger, Senior Circuit Judge

Dissenting Opinion by: Newman

Procedural Posture:

This case involves McKesson's nondisclosure of three items of information during prosecution of U.S. Patent No. 4,857,716 (hereinafter referred to as "the '716 patent") in a setting where the applicant had co-pending applications. The district court found that each of the three nondisclosures were, individually and collectively, material to prosecution of the application that led to the '716 patent. With regard to deceptive intent regarding each nondisclosure, the District Court found circumstantial evidence strongly supporting an inference of deceptive intent. After assessing all the facts, the District Court held that McKesson failed to provide a credible explanation for the material nondisclosures, and thus held the patent invalid for inequitable conduct. McKesson appealed this decision to the CAFC.

Overview:

Your most important patents can be at risk unless your law firm works with you closely to share information with the PTO. More than ever, U.S. Courts are invalidating patents for inequitable conduct at the PTO. You have a duty of candor to the Office with every patent application. This duty extends to facts uncovered or disclosed in your other patent applications, communications from foreign patent offices, abstracts, offers for sale, brochures, litigation, and instances of public use. The more patents you apply for, the harder it can be to keep track of what the Office needs to know.

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Facts:

- The '716 patent claims “a patient identification and verification system” that relates items with patients and ensures that an identified item corresponds to an identified patient. The only independent claim of the '716 patent recites “three node communication” and “programmable unique identifier” limitations.
- First, the prior art Baker patent was brought to the attention of prosecuting attorney, Schumann, by Examiner Lev in a co-pending application. The Baker patent disclosed use of three-node communication. Schumann failed to disclose Baker to Examiner Trafton, the Examiner reviewing the application resulting in the '716 patent, while prosecuting the '716 patent. The Baker patent contradicted arguments the attorney had made for patentability in prosecuting the '716 patent regarding teachings of a three-node approach to communications. The patentee also cancelled claims in the co-pending application in response to Baker, and those claims covered the asserted novel features of the '716 patent.
- Second, Schumann failed to disclose to Examiner Trafton several rejections of claims in the same co-pending application, where those rejected claims included a combination of features, use of three-node communications, that the patentee had argued was novel during the prosecution of the '716 patent.
- Third, Schumann failed to disclose to Examiner Trafton the allowance of a different co-pending application that recited a three-node communication feature.

Issue:

Is it inequitable conduct for a prosecuting attorney to intentionally not disclose to the PTO: (1) a prior art patent that had been brought to the attorney’s attention by the examiner of a co-pending application, (2) the rejection of claims in that same co-pending application, and (3) the allowance of another co-pending application?

Holding:

The CAFC held the patent at issue unenforceable because the prosecuting attorney intentionally withheld three pieces of material information from the PTO: (1) a prior art patent that had been brought to the attorney’s attention by the Examiner of a co-pending application, (2) the rejection of claims in that same co-pending application, and (3) the allowance of another co-pending application.



Analysis:

To prevail on appeal, McKesson must demonstrate that the district court's findings of fact are clearly erroneous. The CAFC concluded that McKesson had not met its burden, and therefore affirmed the District Court's holding of an unenforceable patent due to inequitable conduct. Inequitable conduct requires clear and convincing evidence of materiality of conduct and deceptive intent. The issues of materiality and intent are fact-driven. With regard to the issue of intent, the law recognizes that deceptive intent is virtually never shown or disproved by direct evidence. Instead, the ultimate fact finding on the issue depends on assessment of all the inferences, favorable and unfavorable, that can be drawn from pertinent evidence.

Materiality

The CAFC rejected McKesson's argument that the Baker patent was cumulative to and less relevant than other references (such as "Hawkins") that were before Examiner Trafton. The CAFC noted that one of Schumann's primary arguments for the patentability of the claims of the '716 patent was the use of three-node communication. The CAFC found no error in the district court's conclusion that "Baker discloses three-node communication more clearly than Hawkins," and that Baker therefore would have been important to a reasonable examiner, and not cumulative to Hawkins. The CAFC noted that "the description of the preferred embodiment in Baker spans over eleven columns and provides a highly technical discussion of the implementation of the three-node communication system with unique addressing, whereas the same description in Hawkins is just under two columns and provides only cursory implementation details." Such evidence undermined Schumann's arguments during the '716 prosecution history that the references, either alone or in combination, do not teach the three node approach to communications.

McKesson argued that the "substantially similar" standard in *Dayco Products v Total Containment* for disclosing rejections to a "reasonable examiner" in related applications should not apply here because *Dayco* does not fully account for the differences in claims sets of the present situation. The CAFC rejected McKesson's argument, stating that a "showing of substantial similarity is *sufficient* to prove materiality. It does not necessarily follow, however, that a showing of substantial similarity is *necessary* to prove materiality." (emphases in original). Under the accepted "reasonable examiner" standard of *Dayco*, the Examiner's rejection of certain claims in the related application was in fact material to the prosecution of the '716 patent.

Moreover, the CAFC noted that Schumann's response to Examiner Lev's office action was nearly identical to a response made one month later to Examiner Trafton about similar claims in the '716 patent. Schumann's subsequent cancellation of claims in the

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related application was evidence that the rejections could not be easily overcome, and thus further evidence of materiality.

Intent

Regarding intent-to-deceive, McKesson argued that there was no such deceptive intent because the features disclosed in Baker were already present in the art of record. The Court found this argument to be a repetition of the same argument made with respect to the materiality. Also, the CAFC rejected McKesson's argument that Schumann did not know of Baker's materiality because Examiner Lev cited it for a different feature than was already before Examiner Trafton with the Hawkins reference. The CAFC held that simply because Examiner Lev cited Baker for its unique feature "did not release Schumann from the relevance of Baker's other teachings."

Schumann had also disclosed the existence of the related application to Examiner Trafton on two occasions. McKesson argued that under the state of the law and MPEP in the mid-1980s, "there was no awareness" that further disclosure of rejections in copending applications was necessary. The CAFC rejected that argument, concluding that "the MPEP to which Schumann would have referred . . . leaves no doubt that material rejections in co-pending applications fall squarely within the duty of candor." Accordingly, the district court did not err in finding deceptive intent.

Regarding Schumann's failure to notify Examiner Trafton of the allowance of patent claims in a case with related subject matter, the CAFC found that "the district court's stated basis for finding materiality—the conceivability of a double patenting rejection—is not incorrect because allowance of the three-node system of the '372 patent claims plainly gives rise to a *conceivable* double patenting rejection," (emphasis in original). Further, McKesson argued that the district court allegedly failed to consider that Examiner Trafton was the same examiner who allowed the '372 patent claims within a few months of allowing the '716 patent claims. The CAFC noted that the MPEP explains that a prosecuting attorney should not presume that a PTO examiner retains details of every pending file he has worked on, and PTO regulations required all disclosures to be in writing. The Court thus held that Schumann was not entitled to presume that Examiner Trafton would recall his decision to grant the claims in related cases in the absence of a written disclosure to that effect. The CAFC thus affirmed the lower court's finding that the '716 patent was unenforceable due to inequitable conduct before the PTO.

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Dissent:

Judge Newman dissented on the basis that there was not clear and convincing evidence of deceptive intent. She further warned that with this holding “[t]his court returns to the ‘plague’ of encouraging unwarranted charges of inequitable conduct, spawning the opportunistic litigation that here succeeded despite consistently contrary precedent.”

Lessons:

Heightened care must be taken by Applicants and patent practitioners to ensure written disclosure in an Information Disclosure Statement (IDS) of all co-pending applications, allowed applications, and art cited and prosecution history in similar or related co-pending applications, where the applications are related or contain similar claimed subject matter:

- This duty of disclosure relates to co-pending applications related by priority, and it also relates to unrelated applications that may contain similar subject matter.
- Cite all related applications and all relevant art and rejections made therein in an IDS.
- During ongoing simultaneous prosecution of two related applications, file updated IDS’s for office action rejections or art cited in each as you become aware of them.
- In each file, and on each file’s docket record, keep a list of related applications that may require cross-filing of IDS’s.
- Applicants should inform their patent agents/attorneys of any related or unrelated applications (pending, abandoned, or allowed) that might claim related subject matter.

Client message:

Inequitable conduct may arise in the context of related or unrelated applications directed to similar technology. The Applicant has a duty of candor to disclose material information. Examples of potentially material information and possible sources of such information include co-pending applications directed to similar subject matter, related applications, communications from foreign patent offices regarding associated applications, abstracts, offers for sale, brochures, litigation, and instances of public use. This duty continues for each application until issuance.

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