Akin®

Withholding of Evidence Related to Offer for Sale, Filing False Declaration and Coercion by Patentee Support Finding of Inequitable Conduct

Mar 9, 2020

Reading Time : **3 min**

By: Caitlin E. Olwell, Matthew George Hartman, Rachel J. Elsby

GS CleanTech Corporation and Greenshift Corporation (collectively, "CleanTech") sued a collection of companies in the ethanol industry for infringing patents directed to the recovery of oil from "thin stillage"—a byproduct of ethanol production. The lawsuits were combined into a multidistrict litigation, and the defendants moved for summary judgment on multiple grounds. Relevant here, the district court found certain claims invalid because of the on-sale bar under pre-AIA section 35 U.S.C. § 102(b).

The district court subsequently conducted an inequitable conduct bench trial and found that CleanTech and its prosecution counsel engaged in inequitable conduct before the USPTO with respect to four of the asserted patents. In particular, CleanTech made a mistake by offering its invention for sale more than a year before filing any patent applications, and then took affirmative steps to hide the offer after they learned it would prevent them from profiting off the patents-in-suit. The district court found CleanTech's lawyers culpable as well because they purposefully avoided disclosing or failed to seek out relevant information, effectively placing advocacy over candor. In light of the inequitable conduct finding, the patents were deemed unenforceable. CleanTech appealed the lower court's on-sale bar determination and its related finding of inequitable conduct.

The Federal Circuit affirmed the district court's finding that the claimed invention was subject to the on-sale bar, which prohibits patents from issuing if, more than one year before filing, the invention was: (1) on sale or offered for sale; and (2) "ready for patenting." The Federal Circuit agreed with the district court that a 2003 proposal sent by one of the inventors to

Agri-Energy LLC constituted an offer for sale under the U.C.C. because it contained all of the elements of a contract for the sale of a system to perform the patented method. The court further held that successful testing of the oil recovery system during the same time period, as well as drawings and communications from an inventor, were sufficient to conclude that a person skilled in the art could have practiced the invention, i.e., that the claimed inventions were ready for patenting.

Similarly, the Federal Circuit found no error in the district court's finding that CleanTech and its lawyers committed inequitable conduct before the USPTO, thus rendering the patents unenforceable. A patentee commits inequitable conduct if it: (1) knew about the prior art reference or prior commercial sale; (2) knew it was material; and (3) deliberately decided to withhold that information. *See Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011) (en banc). The Federal Circuit considered an array of evidence when rendering its decision on inequitable conduct.

Specifically, the court held that the inventors' pre-filing research on the on-sale bar supported a finding that CleanTech knew its 2003 proposal threatened its chances of obtaining a patent. And, the evidence supported a finding that CleanTech and its lawyers withheld information from the USPTO. There was also evidence that both CleanTech and its lawyers attempted to coerce Agri-Energy into supporting its validity case. Namely, CleanTech offered Agri-Energy a royalty-free license if it admitted that the pending patents were valid. Likewise, CleanTech's lawyers sent Agri-Energy an email offering to release the company from any liability in exchange for cooperating with CleanTech and requested a statement "confirming and clarifying" certain facts about the 2003 proposal. According to testimony from its manager, Agri-Energy declined "the offer from [CleanTech] because the statements were not true." Finally, CleanTech's lawyers filed a declaration executed by one of the inventors misrepresenting details about the 2003 proposal and then failed to correct that misrepresentation even though it "kn[e]w for certain" it was false.

Practice Tip: Counsel handling prosecution of a patent should, to the extent possible, take steps to confirm the information it receives from clients is both accurate and complete before disclosing it to the USPTO. Failure to do so may result in a finding of inequitable conduct by both the client and the prosecuting attorney.

GS Cleantech Corp. v. Adkins Energy LLC, No. 2016-2231 (Fed. Cir. Mar. 2, 2020)