

2008-1511, -1512, -1513, -1514, -1595

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

THERASENSE, INC. (now known as Abbott Diabetes Care, Inc.)
and ABBOTT LABORATORIES,

Plaintiffs-Appellants,

v.

BECTON, DICKINSON AND COMPANY,
and NOVA BIOMEDICAL CORPORATION

Defendants-Appellees,

and

BAYER HEALTHCARE LLC,

Defendant-Appellee.

Appeal from the United States District Court for the Northern District of California
in consolidated case nos. 04-CV-2123, 04-CV-3327, 04-CV-3732,
and 05-CV-3117, Judge William H. Alsup.

**BRIEF OF *AMICUS CURIAE* ECORE INTERNATIONAL, INC.
IN SUPPORT OF NEITHER PARTY**

Robert C. Nissen (Counsel of Record)
Oblon, Spivak, McClelland, Maier
& Neustadt, LLP
1940 Duke Street
Alexandria, VA 22304
(703) 413-3000

Attorney for *Amicus Curiae*
August 2, 2010

CERTIFICATE OF INTEREST

Counsel for *amicus curiae* ECORE International, Inc. certifies the following:

1. The full name of every *amicus* represented by me is:

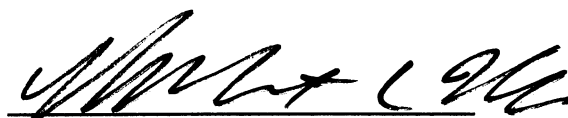
ECORE International, Inc.
715 Fountain Avenue
PO Box 989
Lancaster, PA 17601
(717) 295-3400

2. The name of the real party in interest represented by me is: ECORE International, Inc., identified in paragraph 1, above.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the *amicus curiae* represented by me are: None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court, or are expected to appear in this court are: Robert C. Nissen and William T. Enos of the law firm Oblon, Spivak, McClelland, Maier & Neustadt, LLP.

Dated: August 2, 2010



Robert C. Nissen
Oblon, Spivak, McClelland, Maier
& Neustadt, LLP
1940 Duke Street
Alexandria, VA 22304

TABLE OF CONTENTS

CERTIFICATE OF INTEREST	i
TABLE OF AUTHORITIES.....	iii
BRIEF OF ECORE INTERNATIONAL, INC. AS AMICUS CURIAE IN SUPPORT OF NEITHER PARTY	1
INTERESTS OF AMICUS CURIAE	1
ARGUMENT	2
I. The Court Should Adopt the But-For Standard for Materiality to Make It Less Likely that Meritless Inequitable Conduct Claims Are Filed or Survive Summary Judgment	2
A. The Objective But-For Causation Standard For Materiality Should Lead to the Filing of Fewer Meritless Inequitable Conduct Claims	3
B. The Objective But-For Causation Standard Will Make It Easier for District Courts to Dispose of Meritless Inequitable Conduct Claims at the Summary Judgment Stage	4
II. The Court Should Adopt the But-For Standard for Materiality Because, Under the “Reasonable Examiner” Standard, Infringing Defendants Receive an Undeserved Windfall that Violates Supreme Court Precedent	7
CONCLUSION	10

TABLE OF AUTHORITIES

Cases

<i>Akron Polymer Container Corp. v. Exxel Container</i> , 148 F.3d 1380 (Fed. Cir. 1998)	8
<i>Ambit Corp. v. Delta Airlines, Inc.</i> , 2010 U.S. Dist. LEXIS 27333 (D. Mass. Mar. 23, 2010)	2
<i>Ampex Corp. v. Eastman Kodak Co.</i> , 460 F. Supp. 2d 569 (D. Del. 2006)	4
<i>Burlington Industries, Inc. v. Dayco Corp.</i> , 849 F.2d 1418 (Fed. Cir. 1988)	2
<i>Eisai Co. v. Dr. Reddy's Labs., Ltd.</i> , 472 F. Supp. 2d 493 (S.D.N.Y. 2006)	4, 5
<i>Frazier v. Roessel Cine Photo Tech, Inc.</i> , 2003 U.S. Dist. LEXIS 19607 (C.D. Cal. Apr. 9, 2003) <i>aff'd in part, rev'd in part</i> , 417 F.3d 1230 (Fed. Cir. 2005)	5
<i>i4i Ltd. P'ship v. Microsoft Corp.</i> , 598 F.3d 831 (Fed. Cir. 2010)	8
<i>Labatt Food Serv. v. United States</i> , 577 F.3d 1375 (Fed. Cir. 2009)	7
<i>Larson v. Correct Craft, Inc.</i> , 569 F.3d 1319 (Fed. Cir. 2009)	8
<i>Paragon Podiatry Laboratory, Inc. v. KLM Laboratories, Inc.</i> , 984 F.2d 1182 (Fed. Cir. 1993)	4
<i>Philip Morris USA v. Williams</i> , 549 U.S. 346 (U.S. 2007)	9

Scanner Techs. Corp. v. Icos Vision Sys. Corp. N.V.,
528 F.3d 1365 (Fed. Cir. 2008)..... 8

Schreiber Foods, Inc. v. Beatrice Cheese, Inc.,
92 F. Supp. 2d 857 (E.D. Wis. 2000)..... 8

State Farm Mut. Auto. Ins. Co. v. Campbell,
538 U.S. 408 (U.S. 2003) 9

Takeda Chem. Indus. v. Mylan Labs., Inc.,
2007 U.S. Dist. LEXIS 19614 (S.D.N.Y. Mar. 21, 2007) 2

Rules

Fed. R. Civ. P. 11 3

Other Authorities

Christian E. Mammen, *Controlling the “Plague”*: Reforming the Doctrine of
Inequitable Conduct, 24 Berkeley Tech. L.J. 1329 (2009)..... 2, 4

**BRIEF OF ECORE INTERNATIONAL, INC. AS AMICUS CURIE IN
SUPPORT OF NEITHER PARTY**

INTERESTS OF AMICUS CURIAE

ECORE International, Inc. (“ECORE”) specializes in “green” flooring products, primarily those manufactured with recycled rubber. It is the assignee of current patents, and it has patent applications pending related to new improved flooring products.

ECORE is currently involved in two patent litigations (involving the same patent) in which the issue of inequitable conduct has been raised. In one case, a magistrate judge recently issued an order denying a request by ECORE’s opponent for attorney’s fees. That order is currently on appeal to the district court. (M.D. Pa., 3:06cv236). The other case is a declaratory judgment action in which ECORE has not yet answered the complaint. (C.D. Ca., 2:09cv9516).

ECORE respectfully submits this amicus brief in support of neither party to exclusively address this question posed by the *en banc* court: Should a finding of materiality require that, but for the alleged misconduct, one or more claims would not have issued? The answer to that question is yes.

ARGUMENT

I. The Court Should Adopt the But-For Standard for Materiality to Make It Less Likely that Meritless Inequitable Conduct Claims Are Filed or Survive Summary Judgment

Over twenty years ago, the Court warned that “the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.” *Burlington Industries, Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988). Unfortunately, that “plague” has not subsided; rather, it has turned into a pandemic. In 2000, inequitable conduct was raised in approximately 4% of all patent cases. Christian E. Mammen, *Controlling the “Plague”: Reforming the Doctrine of Inequitable Conduct*, 24 Berkeley Tech. L.J. 1329, 1358 (2009). In just seven years, that number increased ten-fold, such that by 2007 and 2008, inequitable conduct was raised in approximately **40% of all patent cases**. *Id.* Although the vast majority of inequitable conduct challenges are unsuccessful, *see id.*, that does not fully ameliorate the problem of this “plague.”

Courts have stated that “American patent litigation [is] the slowest and the most expensive on the planet.” *See, e.g., Ambit Corp. v. Delta Airlines, Inc.*, 2010 U.S. Dist. LEXIS 27333, *9 (D. Mass. Mar. 23, 2010). Indeed, the average costs for large patent litigation lawsuits “in 2004 was just over \$ 6 million.” *Takeda Chem. Indus. v. Mylan Labs., Inc.*, 2007 U.S. Dist. LEXIS 19614, *20 (S.D.N.Y. Mar. 21, 2007). One way to lower the costs of patent litigations would be to

decrease the number of cases where meritless inequitable conduct charges have been brought. Therefore, the Court should adopt the but-for causation standard, both to reduce the number of meritless inequitable conduct claims that are brought in the first instance, as well as to make it easier for district courts to weed out meritless claims at the summary judgment stage.

A. The Objective But-For Causation Standard For Materiality Should Lead to the Filing of Fewer Meritless Inequitable Conduct Claims

The objective but-for standard would lower the cost of patent litigation by making it much more difficult for a meritless inequitable claim to be brought in the first instance. Under a “but for” causation standard, an allegation of inequitable conduct could no longer be brought based on expert’s testimony regarding whether a reasonable examiner would have considered the undisclosed reference. Thus, under Fed. R. Civ. P. 11, a defendant could only bring an inequitable conduct claim (or defense) if it believed in good faith that one or more claims would not have issued but for the alleged wrongdoing. Therefore, unless the defendant had a good-faith belief that at least one claim was anticipated or made obvious by the omitted information, it could not plead inequitable conduct as a defense or counterclaim. Accordingly, the but-for standard should lead virtually immediately to a reduction of cases in which a meritless inequitable conduct is pled.

B. The Objective But-For Causation Standard Will Make It Easier for District Courts to Dispose of Meritless Inequitable Conduct Claims at the Summary Judgment Stage

To prevail on a motion for summary judgment dismissing an inequitable conduct claim, the patentee must prove that the defendant has failed to raise an issue of material fact regarding either the materiality of the reference or the applicant's bad intent. It is difficult for a plaintiff to prevail on the intent issue at the summary judgment stage "because, intent being a subjective state of mind, the proof 'requires the fact finder to evaluate all the facts and circumstances in each case.'" *Ampex Corp. v. Eastman Kodak Co.*, 460 F. Supp. 2d 569, 570 (D. Del. 2006) (quoting *Paragon Podiatry Laboratory, Inc. v. KLM Laboratories, Inc.*, 984 F.2d 1182, 1190 (Fed. Cir. 1993)). In theory, it should be easier for the patentee to prevail in its summary judgment motion on the materiality issue because a "reasonable examiner" standard uses the words of an objective standard. The reality, however, is quite different.

The reasonable examiner standard is actually "subjective and malleable." Mammen, 24 Berkeley Tech. L.J. at 1391. Therefore, "[t]he question of the materiality on the reasonable examiner standard of the various withheld or selected [documents] largely boils down to a battle of experts that will require cross-examination and findings of credibility to resolve." *Eisai Co. v. Dr. Reddy's Labs., Ltd.*, 472 F. Supp. 2d 493, 525 (S.D.N.Y. 2006). This "battle of experts" is

especially unfortunate because some experts have been known to “willing[ly] . . . disregard the well-established law on materiality,” in an attempt to raise a fact issue regarding materiality. *See Frazier v. Roessel Cine Photo Tech, Inc.*, 2003 U.S. Dist. LEXIS 19607, *83 (C.D. Cal. Apr. 9, 2003) *aff’d in part, rev’d in part*, 417 F.3d 1230 (Fed. Cir. 2005) (not crediting plaintiff’s expert for ignoring the law on materiality). Accordingly, inequitable conduct claims based on the thinnest reed of materiality often survive summary judgment motions, even when “it appears unlikely that defendants can prevail on these charges.” *Eisai*, 472 F. Supp. 2d at 526.

The fact that weak inequitable claims often survive summary judgment motions is especially problematic for individual inventors and small companies. They are often put to a “Morton’s fork choice”¹ -- either taking no action against an entity that infringes their patents or risking bankruptcy by bringing a claim for patent infringement and hoping that they did not make an honest mistake in prosecuting the patent-at-issue -- a mistake that the infringing defendant could twist into a claim for inequitable conduct.

The objective but-for standard would lower the cost of patent litigation by making it much more difficult for a meritless inequitable claim to survive summary judgment. The summary judgment stage would no longer be a “battle of experts”

¹ A “Morton’s fork” is a choice between two bad alternatives.
http://en.wikipedia.org/wiki/Morton%27s_fork.

regarding what a hypothetical reasonable examiner would consider. Instead, for undisclosed references, the issue of materiality would now seamlessly blend into whether that reference anticipated or made obvious any claim. If there were no fact issue regarding whether the undisclosed reference anticipated or made obvious any claim, then the inequitable conduct claim would be dismissed from the case.²

Further, under the but-for causation standard, an individual or small company would no longer face potential bankruptcy if a judgment they made during prosecution was incorrect. A defendant would no longer be able to bring an inequitable conduct claim based on merely pointing to a mistake (or even a judgment call where reasonable minds could differ) made during prosecution. Thus, as discussed *supra*, under Rule 11, a defendant could not even plead inequitable conduct unless it believed in good faith that the error directly caused at least one claim to issue.³ Such a standard would greatly reduce the universe of mistakes that could be the basis of an inequitable conduct charge. Obviously, if an inventor or small company, in bad faith, did not disclose a reference, such that they

² Usually there would be no additional expense litigating the materiality prong for inequitable conduct under a but-for standard because the issues of anticipation and obviousness would already be litigated in the case. The one exception would be the rare instance where a defendant contends that an unasserted claim would not have issued but for the lack of disclosure. But the analysis would still be a straight-forward anticipation/obviousness analysis.

³ Of course, the party claiming inequitable conduct must still prove that the reference was withheld with bad intent.

received a patent claim that they were not entitled to, then it is certainly appropriate that they pay the cost for their bad faith. But it should not be the case that by bringing a patent infringement lawsuit, individuals or small companies risk bankruptcy or, at least, the added expense of litigating inequitable conduct, merely because they made a mistake during prosecution. Thus, the Court should adopt the but-for causation standard.

II. The Court Should Adopt the But-For Standard for Materiality Because, Under the “Reasonable Examiner” Standard, Infringing Defendants Receive an Undeserved Windfall that Violates Supreme Court Precedent

The reasonable examiner standard is both constitutionally questionable and in direct violation of Supreme Court precedent. It is black-letter law that “[w]ithout a showing of harm specific to the asserted error, there is no injury to redress, and no standing to sue.” *Labatt Food Serv. v. United States*, 577 F.3d 1375, 1381 (Fed. Cir. 2009). The reasonable examiner standard violates that black-letter law, however.

Simply put, if all the claims in the patent-at-issue would have been allowed, even if the undisclosed document was provided to the patent office, the infringer can not show that it was damaged by the lack of disclosure. Thus, under the “reasonable examiner” standard, an infringing defendant receives a free license to use the patentee’s patent, as well as possibly its attorneys’ fees and costs, even though it can not “show[] harm specific to the asserted error” of failing to disclose.

Allowing a defendant to recover anything without a showing of harm is prohibited under the constitution.⁴ *See Larson v. Correct Craft, Inc.*, 569 F.3d 1319, 1326 (Fed. Cir. 2009) (without “injury, causation, and redressability,” a plaintiff lacks “constitutional standing”). Therefore, the “reasonable examiner” standard allows a defendant to unconstitutionally recover damages, where it has not proved damages.

In addition, the reasonable examiner standard violates Supreme Court precedent. The only rationale for allowing an infringing defendant -- who did not show harm -- a free license and possibly its attorney’s fees would be to punish the patentee for its inequitable conduct. *See Scanner Techs. Corp. v. Icos Vision Sys. Corp. N.V.*, 528 F.3d 1365, 1376 (Fed. Cir. 2008) (one who commits “inequitable conduct [receives] . . . the punishment of unenforceability of the entire patent”); *see also Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 92 F. Supp. 2d 857, 871 (E.D. Wis. 2000) (*citing Akron Polymer Container Corp. v. Exxel Container*, 148 F.3d 1380, 1383 (Fed. Cir. 1998) (“the ultimate sanction against a patentee [is the] unenforceability of his patent”). But Supreme Court precedent prohibits the award

⁴ Although an infringing defendant who prevails on an inequitable conduct claim does not typically receive money damages (other than attorney’s fees), it does receive absolution for its past infringement, such that it need not pay a reasonable royalty, as well as not being liable for future infringement. Such free absolution could be worth millions, tens of millions, or even hundreds of millions of dollars. *See, e.g., i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 857 (Fed. Cir. 2010) (affirming a reasonable royalty of \$200 million for past infringement).

of punitive damages when the defendant did not prove that it suffered actual damages by failing to show but-for causation.

In *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 425 (U.S. 2003), the Supreme Court stated that “Single-digit multipliers [of the ratio of punitive to actual damages] are more likely to comport with due process” than are higher ratios. Under the reasonable examiner standard, an infringer receives punitive damages without proving any actual damages. Thus, the ratio between the infringer’s proved damages of zero and the punitive damages it received would be infinite. In addition, punitive damages can not be based on “punishing a defendant for harming others.” *Philip Morris USA v. Williams*, 549 U.S. 346, 354 (U.S. 2007). Therefore, because an infringing defendant is receiving punitive damages not based on any damage it received under the reasonable examiner standard, but rather on theoretical damages that may have been received by others, the reasonable examiner standard fails to comply with either *State Farm* or *Philip Morris*.

Both the constitutional problem and the conflict with Supreme Court precedent would be solved by using a but-for causation standard. First, under a but-for causation standard, there would no longer be such constitutionally questionable anomalous results where defendants may receive a windfall without proving they were damaged in any way. Instead, because at least one claim would

not have issued but for the withheld reference, an infringing defendant can show direct harm, and it would be appropriate for that defendant to be compensated for that harm by receiving a free license. Second, under the but-for causation standard, an infringing defendant will recover for damages it actually suffered, rather than for punitive damages where it had not been damaged. Such a recovery would fully comply with both *State Farm* and *Philip Morris*.

CONCLUSION

For the foregoing reasons, along with the reasons stated by the other amici filed in support of the Appellant or in support of neither party, and for the reasons stated in the Appellant's brief, the Court should adopt but-for causation as the standard that must be met to prove inequitable conduct.

August 2, 2010

Respectfully submitted,



Robert C. Nissen (Counsel of Record)
Oblon, Spivak, McClelland, Maier
& Neustadt, LLP
1940 Duke Street
Alexandria, VA 22304
(703) 413-3000

CERTIFICATE OF SERVICE

Pursuant to this Court's Order of April 26, 2010, I hereby certify that I filed the foregoing brief by hand and caused two copies of the foregoing to be served via first-class mail on the following:

Rachel Krevans
MORRISON FOERSTER LLP
425 Market St.
San Francisco, CA 94105
Tel.: (415) 268-7178

Counsel for Bayer Healthcare L.L.C.

Bradford J. Badke
ROPES & GRAY LLP
1211 Avenue of the Americas
New York, NY 10036
Tel.: (212) 596-9000

*Counsel for Becton, Dickinson & Co.
and Nova Biomedical Corp.*

Rohit K. Singla
MUNGER, TOLLES & OLSON LLP
560 Mission Street, 27th Floor
San Francisco, CA 94105
Tel.: (415) 512-4000

*Counsel for Plaintiffs-Appellants
Abbott Diabetes Care, Inc. and Abbott Laboratories*

I also hereby certify that I served a courtesy copy of the foregoing brief via first-class mail on each of the following:

Carolyn B. Lamm
American Bar Association
321 North Clark Street
Chicago, IL 60610
Tel.: (312) 988-5000

*Counsel for Amicus Curiae
American Bar Association*

Cameron Keith Weiffenbach
MILES & STOCKBRIDGE, P.C.
1751 Pinnacle Drive, Suite 500
McLean, VA 22102
Tel.: (703) 903-9000

*Counsel for Amici Curiae
Bruce A. Lehman and International
Intellectual Property Institute*

Christian E. Mammen
c/o UC-Hastings College of Law
200 McAllister Street
San Francisco, CA 94102
Tel.: (510) 868-8107

*Counsel for Amicus Curiae
Nine Law Professors*

David Hricik
Mercer University School of Law
1021 Georgia Avenue
Macon, GA 31201
Tel.: (478) 301-4154

*Counsel for Amicus Curiae
David C. Hricik*

John L. Cooper
FARRELLA BRAUN & MARTEL LLP
235 Montgomery Street, 17th Floor
San Francisco, CA 94104
Tel.: (415) 954-4400

*Counsel for Amicus Curiae
Dolby Laboratories, Inc.*

Leland W. Hutchinson, Jr.
FREEBORN & PETERS LLP
311 South Wacker Drive, Suite 3000
Chicago, IL 60606
Tel.: (312) 360-6000

*Counsel for Amici Curiae
GEO Foundation, Ltd. and
Ole K. Nilssen*

Herbert C. Wamsley
Intellectual Property Owners Association
1501 M Street, NW, Suite 1101
Washington, DC 20005
Tel.: (202) 507-4500

*Counsel for Amicus Curiae
Intellectual Property Owners Association*

Mark A. Perry
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, NW
Washington, DC 20036-5306
Tel.: (202) 887-3667

*Counsel for Amici Curiae
Microsoft Corporation and
Sanofi-Aventis*

Richard G. Taranto
FARR & TARANTO
1150 18th Street, NW, Suite 1030
Washington, DC 20036
Tel.: (202) 775-0184

*Counsel for Amicus Curiae
Verizon Communications, Inc.*

Richard Samp
Washington Legal Foundation
2009 Massachusetts Avenue, NW
Washington, DC 20036
Tel.: (202) 588-0302

*Counsel for Amicus Curiae
Washington Legal Foundation*

A handwritten signature in black ink, reading "Owen L. Pincus". The signature is written in a cursive style and is underlined.