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## Full Disclosure: It's a Must for Patent Applicants

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On Sept. 26, 2014, the Federal Circuit issued its opinion in *American Calcar Inc. v. American Honda Motor Co.*, No. 2013-1061. Judges Prost and Wallach affirmed the decision of the U.S. District Court for the Southern District of California that three American Calcar patents were unenforceable due to inequitable conduct. Judge Newman filed a strongly worded dissent.

### Background

American Calcar sued two Honda entities for infringement of 15 patents. The appeal concerned only three (U.S. Patent Nos. 6,330,497; 6,438,465; and 6,542,795), all of which derive from a parent application filed on Jan. 28, 1997. The patents claim aspects of an in-car multimedia system to access vehicle information and control vehicle functions, e.g., a navigation or "infotainment" system.

Calcar accused navigation systems in Honda vehicles of infringement. Honda responded with defenses including inequitable conduct.

Before trial, Honda moved for a finding of inequitable conduct based on the actions of Michael Obradovich, Calcar's founder and a co-inventor of the asserted patents. Honda argued that Obradovich deliberately withheld material prior art from the PTO. In particular, according to Honda, while Obradovich disclosed the existence of the navigation system of the 1996 Acura RL (96RL) to the PTO, he intentionally failed to disclose other information related to the system that would have led the PTO to deny the patents as anticipated or obvious.

In 1996, Calcar was publishing "Quick-Tips" guides with condensed information from car owners' manuals. While preparing a QuickTips guide for the 96RL, Obradovich and other Calcar employees operated the car's navigation system and took



PHOTO: DIEGO M. RADZINSCH/ILIJ

photographs of the navigation system and owner's manual.

Obradovich later began working on the parent patent application. The application expressly referred to the 96RL navigation system as prior art, and Obradovich acknowledged that the system was the basis of the alleged invention. Honda alleged, however, that Obradovich deliberately failed to submit the 96RL owner's manual and photos to the PTO during prosecution. According to Honda, the materials that Obradovich failed to submit contained precisely the operational details of the 96RL navigation system that were claimed in the patents at issue—the use of the system to display the status of vehicle functions or to search for information about the vehicle.

The jury found the '497 patent invalid and the '465 and '795 patents valid. Fol-

lowing the jury verdict, the district court granted Honda's inequitable conduct motion and held the three patents at issue unenforceable. Calcar appealed.

While the appeal was pending, the Federal Circuit issued its decision in *Therasense Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011), establishing a revised and narrower test for inequitable conduct. Under *Therasense*, to prove inequitable conduct, the accused infringer must provide evidence that the applicant: 1) misrepresented or omitted material information; and 2) did so with specific intent to deceive the PTO. The materiality required to establish inequitable conduct is but-for materiality; undisclosed prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed art.

In light of *Therasense*, the Federal Circuit affirmed the district court's finding of materiality with respect to the '497 patent, but vacated and remanded with respect to the other determinations of materiality and intent.

On remand, the district court again held the patents unenforceable. With respect to intent, the court found that the only reasonable inference from the evidence was that Obradovich knew the 96RL prior art was material and that he deliberately withheld it. Evidence of Obradovich's good faith did not overcome the other evidence.

Calcar appealed again, and this opinion followed. The court reviewed the district court's findings of materiality and intent for clear error, and the ultimate finding of inequitable conduct for abuse of discretion.

### Majority Opinion: Materiality

Materiality had previously been affirmed with respect to the '497 patent and was thus only at issue with respect to the '465 and '795 patents. Under *Therasense*, as noted, undisclosed prior art is but-for material if the PTO would not have allowed the claims had it been aware of the art. Courts therefore apply the preponderance-of-the-evidence standard applicable during PTO examination and give claims their broadest reasonable construction when evaluating materiality. As the jury's verdict of validity was rendered under the different evidentiary and claim construction standards applicable in a district court, the majority deemed the verdict irrelevant.

Next, the court noted that the only aspect of the patents at issue that Calcar claimed was novel was a limitation directed to using an in-car system to conduct a search concerning "an aspect of the vehicle" (as compared to, for example, a navigation-related search as taught by the prior art). The court then addressed Calcar's principal argument, that the district court had improperly failed to account for the inventive differences between the prior art 96RL navigation system and the claims of the patents at issue. According to Calcar, the ability to search for information regarding the vehicle itself, such as the radio and engine, was non-obvious in view of the 96RL system.

The Federal Circuit rejected Calcar's argument. The district court had addressed the differences between the 96RL art and the claims, finding that the only difference was the nature of the searchable information (navigation details versus information

about the vehicle itself). The district court had concluded that it would have been obvious to a person of ordinary skill to include information other than navigational information in the 96RL system. The substitution of one type of information (vehicle details) for another (navigational details) as the object of the search would have been obvious. As the Federal Circuit found no clear error, it affirmed the district court's determination that the undisclosed operational details of the 96RL navigation system were material.

### Majority Opinion: Intent

Calcar had provided a limited disclosure of the 96RL navigation system in the patents' specification, and had submitted a newspaper article describing the system during prosecution. The district court found that these disclosures omitted material information about the 96RL system. As the Federal Circuit observed, partial disclosure of material information does not absolve a patentee of intent if the disclosure is intentionally selective.

Next, the court noted that a district court may infer intent to deceive the PTO from indirect and circumstantial evidence, if such intent is the single reasonable inference.

The Federal Circuit then reviewed the district court's findings from remand. The district court found that Obradovich possessed material information based on his own testimony about his personal knowledge of the 96RL system and test drives of the 96RL. Moreover, according to the district court, Obradovich knew the operational details of the 96RL system were material to his purported invention, as he explicitly cited the system in his patent application and even admitted that his personal experience with the system led to his conception of the invention. The single reasonable inference arising from these facts was that Obradovich deliberately withheld the information from the PTO. The Federal Circuit saw no clear error in the district court's conclusion on intent. As a result, the district court did not abuse its discretion in finding the patents unenforceable.

### Judge Newman's Dissent

Judge Newman filed a strongly worded dissent. With respect to materiality, Judge Newman noted that the PTO had reexamined the '497 patent in light of the very prior art at issue in the appeal (the 96RL owner's manual information and photographs). The PTO confirmed patentabil-

ity over this prior art. According to Judge Newman, this conclusively established that the art was not "material" under *Therasense* and should have ended the inequitable conduct inquiry.

Next, Judge Newman faulted the majority for focusing on one limitation—"a search concerning an aspect of the vehicle"—as the source of the claims' novelty. Judge Newman noted that it was improper under KSR to "select elements ... for isolated analysis." Rather, "[t]he invention must be considered as a whole." Judge Newman would have held materiality not shown by clear and convincing evidence, as required.

Judge Newman also criticized the majority's reasoning under the intent prong. According to Judge Newman, the majority merely assumed that if a witness's credibility could be challenged in any way, adverse inferences on all aspects of his or her testimony could be drawn. Judge Newman found no evidentiary support for intent.

### Conclusion

The majority opinion's finding of but-for materiality despite the PTO's confirmation of the patents may be a warning that even a reexamination directed to previously undisclosed prior art may not inoculate a patent against an inequitable conduct finding. Moreover, the case is a reminder that intent to deceive the PTO can be broadly inferred and, as a result, patent applicants should always err on the side of full disclosure.

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