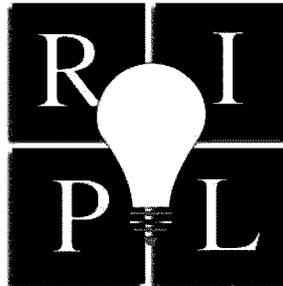


# THE JOHN MARSHALL REVIEW OF INTELLECTUAL PROPERTY LAW



## INEQUITABLE CONDUCT, GROSS NEGLIGENCE AND THE *KINGSDOWN* DECISION

JIM CARMICHAEL & CAMERON WEIFFENBACH

### ABSTRACT

Rule 56 was promulgated in 1948 to address inequitable conduct and fraud before the United States Patent Office in response to major Supreme Court decisions in the 1930's and 1940's. Further development of rule continued through decisions and amendments into the 1980's. Judge Markey authored several decisions at the Federal Circuit addressing the standard of intent required to find inequitable conduct in the 1980's. The impact of these decisions culminated in his *Kingsdown Medical Consultants, Ltd v. Hollister, Inc.* opinion resulting in a 1992 amendment to Rule 56. This article analyzes the development of Rule 56 and Judge Markey's influence on the standard of intent.

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# INEQUITABLE CONDUCT, GROSS NEGLIGENCE AND THE KINGSDOWN DECISION

JIM CARMICHAEL AND CAMERON WEIFFENBACH\*

## INTRODUCTION

Judge Markey wrote several decisions involving inequitable conduct. One of those cases was the landmark decision: *Kingsdown Medical Consultants, Ltd v. Hollister, Inc.*<sup>1</sup> The *Kingsdown* decision held that gross negligence is not sufficient to show intent.<sup>2</sup> However, Judge Markey also wrote the *J.P. Stevens v. Lex Tex, Ltd.*<sup>3</sup> decision about 3 years prior to *Kingsdown*. The *J.P. Stevens* case is cited for the proposition that the “threshold standard for intent that must be established is ‘gross negligence.’”<sup>4</sup> Would *J.P. Stevens* have been decided differently after *Kingsdown*?

## I. HISTORICAL DEVELOPMENT RE “GROSS NEGLIGENCE” AND INEQUITABLE CONDUCT

In order to have a better understanding of the *J.P. Stevens* and *Kingsdown* decisions, we need to explore the historical development of inequitable conduct and the intent element.

Three major decisions came out of the Supreme Court in the 1930’s and 1940’s: *Keystone Driller Co. v. General Excavator Co.*,<sup>5</sup> *Precision Instrument Manufacturing Co. v. Automobile Maintenance Machinery Co.*,<sup>6</sup> and *Hazel-Atlas Glass v. Hartford-Empire Co.*<sup>7</sup> The *Hazel-Atlas Glass* case had the most significant impact on the development of inequitable conduct.

In 1933, *Keystone Driller* was decided.<sup>8</sup> During prosecution of his patent, the patentee became aware of a public use of an excavator that came within the scope of his claims.<sup>9</sup> After the patent issued, but before filing an infringement action against General Excavating, the patentee made an agreement with a person, who knew that the patented invention had been in public use, to keep the details of the public use

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<sup>1</sup> 863 F.2d 867 (Fed. Cir. 1988) [hereinafter *Kingsdown Fed. Cir.*] (en banc).

<sup>2</sup> *Id.* at 876.

<sup>3</sup> 747 F.2d 1553 (Fed. Cir. 1984).

<sup>4</sup> Chisum, *Patent Law Digest, Abstracts of Federal Circuit Decisions 1982-2006*, 2007 Edition, page 1175 (2007).

<sup>5</sup> 290 U.S. 240 (1933).

<sup>6</sup> 324 U.S. 806 (1945).

<sup>7</sup> 322 U.S. 238 (1944).

<sup>8</sup> *Keystone Driller*, 290 U.S. at 298.

<sup>9</sup> *Keystone Driller Co. v. Gen. Excavator Co.*, 10 U.S.P.Q. (BNA) 180, 187 (N.D. Ohio 1931), *rev’d and remanded*, 62 F.2d 48 (1932), *aff’d*, 290 U.S. 240 (1933).

secret.<sup>10</sup> The infringement action was brought.<sup>11</sup> However, during the trial, the facts surrounding the patentee's efforts to suppress the details of the public use became known.<sup>12</sup> General Excavating asserted that the action should be dismissed because Keystone Drillers came into court with unclean hands.<sup>13</sup> The district court refused to apply the unclean hands doctrine because there was no suppression of evidence in the infringement action.<sup>14</sup> On appeal, however, the court of appeals disagreed, holding the patentee's actions were "highly reprehensible" and that equity requires that the party seeking relief must come into court with clean hands.<sup>15</sup> Keystone appealed to the Supreme Court and the Court affirmed the court of appeals decision.<sup>16</sup> The Supreme Court, however, did not address whether the information regarding the prior public use should have been disclosed to the Patent Office during the prosecution of the patent application.<sup>17</sup>

In 1945, *Precision Instrument* was decided.<sup>18</sup> This case stemmed from an interference proceeding in the Patent Office between an application to Zimmerman (owned by party Automotive) and an application to Larson (owned by party Precision).<sup>19</sup> The inventions in both applications was directed to a torque wrench.<sup>20</sup> Party Larson filed a preliminary statement giving false dates as to conception and reduction to practice to antedate Zimmerman.<sup>21</sup> Counsel for Zimmerman suspected the dates were false and conducted an investigation.<sup>22</sup> He obtained an uncorroborated statement from a former employee of Automotive, Tomasma, regarding conception of the invention.<sup>23</sup> Tomasma gave a statement that, while employed by Automotive, he had collaborated with Larson in conceiving the invention that was disclosed and claimed in Larson's patent application and that he and Larson had a dispute as to whether he should have been named as a co-inventor with Larson.<sup>24</sup>

After Automotive's counsel confronted Larson's counsel with Tomasma's statement, the parties settled the interference.<sup>25</sup> As part of the settlement, Larson assigned his application to Automotive.<sup>26</sup> The Patent Office was never told in the settlement agreement filed in the interference that Larson's preliminary statement contained false data known to both parties in the interference.<sup>27</sup> Further the

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<sup>10</sup> *Id.* at 186, 192.

<sup>11</sup> *Id.* at 181.

<sup>12</sup> *Id.* at 186, 192.

<sup>13</sup> *Id.* at 184.

<sup>14</sup> *Id.* at 196.

<sup>15</sup> *Gen. Excavator Co. v. Keystone Driller Co.*, 62 F.2d 48, 49 (6th Cir. 1932) (agreeing with the district court's finding that the conduct was "highly reprehensible," but held that equity requires clean hands), *aff'd*, 290 U.S. 240 (1933).

<sup>16</sup> *Keystone Driller*, 290 U.S. at 241.

<sup>17</sup> *See id.*

<sup>18</sup> *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 806 (1945).

<sup>19</sup> *Id.* at 812–14.

<sup>20</sup> *Id.* at 807.

<sup>21</sup> *Id.* at 809.

<sup>22</sup> *Id.* at 810.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.* at 810.

<sup>25</sup> *Id.* at 812–813.

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* at 816.

uncorroborated testimony obtained by counsel for Zimmerman was not disclosed to the Patent Office.<sup>28</sup> Both applications ultimately issued as patents.<sup>29</sup>

Precision developed a new torque wrench and began selling the wrench.<sup>30</sup> Automotive sued Precision for infringement alleging that the new wrench infringed the Larson and Zimmerman patents.<sup>31</sup> The facts concerning the settlement and Automotive's investigation were brought into evidence during trial.<sup>32</sup> The district court dismissed the suit on the "unclean hands" maxim.<sup>33</sup> Automotive appealed and the court of appeals reversed the decision of the district court because, according to the court of appeals, there was no duty to disclose uncorroborated testimony to the Patent Office.<sup>34</sup> Precision appealed the decision to the Supreme Court.<sup>35</sup> The Court reversed finding that Automotive knew and suppressed facts that should have been brought in some way to the attention of the Patent Office.<sup>36</sup> The Court held that "[t]hose who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequity underlying the applications in issue."<sup>37</sup>

In 1944, the *Hazel-Atlas* case was decided.<sup>38</sup> In 1919, Hartford Empire filed a patent application directed to an apparatus for a plunger glob feeding system for feeding molten glass.<sup>39</sup> The patent application was prosecuted for 7 years without success.<sup>40</sup> In 1926, it was decided to prepare an article to persuade the PTO that the plunger glob feeding using the apparatus claimed in the patent application was revolutionary.<sup>41</sup> Four patent practitioners were involved in preparing the article.<sup>42</sup> One of the patent attorneys persuaded the president of the Flint Glass Workers Union, Clarke, to sign the article as the author.<sup>43</sup> There was nothing in the article that was false regarding the revolutionary nature of plunger glob feeding system.<sup>44</sup>

One of the attorneys, Dorsey, who had reviewed the article, was prosecuting the patent application in the Patent Office and presented the article to the examiner as evidence of a disinterested third party describing the revolutionary nature of the glob

<sup>28</sup> *Id.* at 816–817.

<sup>29</sup> *Id.* at 814.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *See* *Auto. Maint. Mach. Co. v. Precision Instrument Mfg. Co.*, 143 F.2d 332-339 (7th Cir. 1944) (reciting the facts from the district court's oral opinion).

<sup>33</sup> *Id.* at 333.

<sup>34</sup> *Id.* at 338.

<sup>35</sup> *Precision Instrument*, 324 U.S. at 812.

<sup>36</sup> *Id.* at 818.

<sup>37</sup> *Id.*

<sup>38</sup> *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 239 (U.S. 1944) [hereinafter *Hazel-Atlas Sup. Ct.*].

<sup>39</sup> *Hartford-Empire Co. v. Hazel-Atlas Glass Co.*, 39 F.2d 111, 117 (D. Pa. 1930) [hereinafter *Hazel-Atlas Dist. Ct.*], *rev'd*, 59 F.2d 399 (3d Cir. 1943) [hereinafter *Hazel-Atlas 3d Cir.*], *rev'd*, 322 U.S. 238 (1944).

<sup>40</sup> *Hartford-Empire Co. v. Hazel-Atlas Glass Co.*, 137 F.2d 764, 766 (3d Cir. 1943) [hereinafter *Hazel-Atlas Petition-Dissmissal*] (neglecting mention of the article at issue), *rev'd*, 322 U.S. 238 (1944).

<sup>41</sup> *Hazel-Atlas Sup. Ct.*, 322 U.S. at 240.

<sup>42</sup> *Hazel-Atlas Petition-Dissmissal*, 137 F.2d at 766.

<sup>43</sup> *Id.*

<sup>44</sup> *Id.* at 768.

feeding system.<sup>45</sup> The article did not persuade the examiner to allow any claims in the patent application.<sup>46</sup> In 1928, however, the patent application was granted based on evidence to antedate the last reference applied to reject the claims.<sup>47</sup>

Shortly after the patent was granted, Hartford sued Hazel-Atlas for patent infringement.<sup>48</sup> During the trial Hazel-Atlas became aware that Clarke did not author the article, but decided not to raise this fact at trial.<sup>49</sup> In 1930, the district court held the patent invalid.<sup>50</sup> Hartford appealed the decision and in 1932, the court of appeals reversed, holding the patent valid on the strength of the Clarke article as showing the revolutionary nature of the invention.<sup>51</sup> Hazel-Atlas did not appeal this decision.<sup>52</sup>

In 1938, the United States brought an antitrust action against the major glass manufacturers, including Hartford and Hazel-Atlas Glass.<sup>53</sup> It was during this proceeding that Hazel-Atlas became aware of all facts surrounding the creation and use of the article, including a secret payment of money to Clarke in 1932, who demanded financial assistance after he failed to be reelected as president of his union.<sup>54</sup> In 1941, Hazel-Atlas filed a request with the court of appeals for permission to file in the district court a bill for review of the district court's decision in 1930.<sup>55</sup> The court of appeals refused because Hazel-Atlas was aware during trial and the subsequent appeal that the article was not authored by the union president and that it did not diligently pursue uncovering the fraud when it had the information.<sup>56</sup> Hazel-Atlas appealed the court of appeal's decision to the Supreme Court.<sup>57</sup>

In 1944, the Supreme Court reversed, finding that the article was written for the express purpose of deceiving the Patent Office.<sup>58</sup> While the article did not persuade the office to issue the patent application, the article contained statements of opinion and Hartford and its registered practitioners represented the article to the Patent Office as the disinterested work of the author.<sup>59</sup> This representation was false and the practitioners knew it was false.<sup>60</sup> The Court held:

Hartford's fraud . . . had its genesis in the plan to publish an article for the deliberate purpose of deceiving the Patent Office. The plan was executed, and the article was put to fraudulent use in the Patent Office. . . . From

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<sup>45</sup> *Id.* at 766.

<sup>46</sup> *Hazel-Atlas Dist. Ct.*, 39 F.2d 111, 117 (C.D. Pa. 1930), *rev'd*, 59 F.2d 399 (3d Cir. 1943), *rev'd*, 322 U.S. 238 (1944).

<sup>47</sup> *Id.* Plaintiff had acquired or taken control of contending applications. *Id.*

<sup>48</sup> *Hazel-Atlas Petition Dismissal*, 137 F.2d at 765.

<sup>49</sup> *Id.* at 766.

<sup>50</sup> *Hazel-Atlas Dist. Ct.*, 39 F.2d at 119–120.

<sup>51</sup> *Hazel-Atlas 3d Cir.*, 59 F.2d at 408, 413 (citing the Clarke article and other trade publications as evidence of inventiveness), *rev'd*, 322 U.S. 238 (1944).

<sup>52</sup> *See id.*

<sup>53</sup> *United States v. Hartford-Empire Co.*, 46 F. Supp. 541, 545 (D. Ohio 1942), *aff'd in part, rev'd in part, vacated in part, remanded in part*, 323 U.S. 386 (1945).

<sup>54</sup> *Id.* at 612.

<sup>55</sup> *Hazel-Atlas Petition Dismissal*, 137 F.2d 764, 765 (3d Cir. 1943).

<sup>56</sup> *Id.* at 767, 770.

<sup>57</sup> *Hazel-Atlas Sup. Ct.*, 322 U.S. 238, 239 (1944).

<sup>58</sup> *Id.* at 250–51.

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*

there the trail of fraud continued without break though the District Court and up to the Circuit Court of Appeals.<sup>61</sup>

The four practitioners involved in preparing the article and using the article to persuade the examiner to allow the patent application were disciplined by the Patent Office.<sup>62</sup> After the Office's decision, one of the practitioners died, but the remaining three appealed the decision to the district court.<sup>63</sup> The district court affirmed the Patent Office discipline.<sup>64</sup> Dorsey had played a very minor role in the creation of the article.<sup>65</sup> His only involvement was to review the article.<sup>66</sup> He made only a few very minor changes to the article.<sup>67</sup> He believed that because of this very minor role in the preparation of the article as well as the fact that, in the end, the article did not persuade the examiner to allow the patent application, it was unfair for him to have been equally as guilty of fraud as the other practitioners.<sup>68</sup>

Dorsey appealed the district court decision to the court of appeals.<sup>69</sup> The court of appeals was sympathetic to Dorsey's plight and reversed the district court decision as to Dorsey.<sup>70</sup> The Patent Office, through the Solicitor General, appealed the decision to the Supreme Court.<sup>71</sup> In 1949, in *Kingsland v. Dorsey*,<sup>72</sup> the Supreme Court reversed the court of appeals.<sup>73</sup> In its decision, the Court agreed with the Patent Office Committee on Enrollment and Disbarment:

By reason of the nature of an application for patent, the relationship of attorneys to the Patent Office requires the highest degree of candor and good faith. In its relation to applicants, the Office . . . must rely upon their integrity and deal with them in a spirit of trust and confidence.<sup>74</sup>

In view of the Supreme Court decisions in the *Precision* and the *Hazel-Atlas* cases as well as the discipline meted out to the attorneys in the *Hazel-Atlas* case, in 1948 new Rule 56 was promulgated.<sup>75</sup> The rule provided that a patent application, "fraudulently filed or in connection with which any fraud is practice or attempted on the Patent Office," could be stricken from the files of the PTO.<sup>76</sup>

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<sup>61</sup> *Id.*

<sup>62</sup> See *Hatch v. Ooms*, 69 F. Supp. 788, 790 (D.D.C. 1947), *rev'd*, 173 F.2d 405 (D.C. Cir. 1949) [hereinafter *Kingsland DC Cir.*], *rev'd*, 338 U.S. 318 (1949) [hereinafter *Kingsland Sup. Ct.*].

<sup>63</sup> *See id.*

<sup>64</sup> *Id.* at 803.

<sup>65</sup> *Id.* at 795, 803.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> *Id.* at 795, 803.

<sup>69</sup> *Kingsland DC Cir.*, 173 F.2d 405, 406 (D.C. Cir. 1949), *rev'd*, 338 U.S. 318 (1949).

<sup>70</sup> *Id.* at 415.

<sup>71</sup> *Kingsland Sup. Ct.*, 338 U.S. at 319.

<sup>72</sup> 338 U.S. 318 (1949).

<sup>73</sup> *Id.* at 320.

<sup>74</sup> *Id.* at 319.

<sup>75</sup> Patents, Trademarks, and Copyrights, 13 Fed. Reg. 9575, 9579 (Dec. 31, 1948) (to be codified at 37 C.F.R. pts. 1, 5, 9, 10, & 100).

<sup>76</sup> Patents, Trademarks, and Copyrights, 13 Fed. Reg. at 9579.

A little over twenty years later, in 1970, the Court of Claims and Patent Appeals (“CCPA”) in *Norton v. Curtiss*<sup>77</sup> was faced with interpreting the meaning of “fraud” in Rule 56.<sup>78</sup> Norton and Curtiss were involved in an interference and during the interference, Norton filed a petition pursuant to Rule 56 to strike the Curtiss application for fraud during *ex parte* prosecution.<sup>79</sup> The Commissioner of the PTO denied the petition.<sup>80</sup> Norton appealed from that decision.<sup>81</sup>

At the CCPA, Norton challenged the decision of the Commissioner while Curtiss challenged the authority of the Commissioner to promulgate Rule 56.<sup>82</sup> The CCPA ruled that the Commissioner had authority under the then rule making authority of 35 U.S.C. § 6.<sup>83</sup> As for the petition to strike, the Court was faced with defining the scope of “fraud” under the Rule.<sup>84</sup> In a detailed analysis, the Court held that “fraud” means “technical fraud” (common law fraud) as well as a broader fraud, namely, inequitable conduct.<sup>85</sup> The court held that “[w]here public policy demands a complete and accurate disclosure it may suffice to show nothing more than that the misrepresentations were made in the atmosphere of *gross negligence* as to their truth”.<sup>86</sup>

In October 1971, a reissue application was filed in the PTO on behalf of Altenpohl.<sup>87</sup> The claimed invention was directed to poultry shackle.<sup>88</sup> Altenpohl had brought an infringement action against Gainesville Machine Co.<sup>89</sup> Gainesville asserted that the claims of Altenpohl’s patent were unpatentable over a patent issued to Altenpohl’s father.<sup>90</sup> Altenpohl filed the reissue application to have his father’s patent considered by the PTO to determine if his claims were patentable over his father’s patent.<sup>91</sup> As an error to justify the reissue, he amended a claim to correct an apparent lack of antecedent basis for a term in the claim.<sup>92</sup> Upon examination, some of the claims were rejected over the father’s patent.<sup>93</sup> Altenpohl appealed the rejection to the Board of Appeals which affirmed the rejection.<sup>94</sup> The Board’s decision was appealed to the CCPA which affirmed the Board decision.<sup>95</sup>

After the CCPA decision, Altenpohl refiled the reissue application as a continuation reissue application and amended the claims.<sup>96</sup> The examiner found the amended claims allowable and forwarded the application to the Office of the

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<sup>77</sup> 433 F.2d 779 (C.C.P.A. 1970).

<sup>78</sup> *Id.* at 792–800.

<sup>79</sup> *See id.* at 785.

<sup>80</sup> *See id.* at 788.

<sup>81</sup> *See id.* at 781.

<sup>82</sup> *Id.* at 781, 791.

<sup>83</sup> *Id.* at 791–92.

<sup>84</sup> *Id.* at 792.

<sup>85</sup> *Id.* at 793.

<sup>86</sup> *Id.* at 796 (emphasis added).

<sup>87</sup> Application of Altenpohl, 500 F.2d 1151, 1152 (C.C.P.A. 1974).

<sup>88</sup> *See id.*

<sup>89</sup> *W.F. Altenpohl, Inc. v. Gainesville Mach. Co.*, 185 U.S.P.Q. (BNA) 500, 500 (N.D. Ga. 1974).

<sup>90</sup> *Id.*

<sup>91</sup> *See Application of Altenpohl*, 500 F.2d at 1152–53.

<sup>92</sup> *See id.* at 1154.

<sup>93</sup> *See id.* at 1155.

<sup>94</sup> *See id.*

<sup>95</sup> *Id.* at 1159 (affirming the board’s decision with respect to claims 12, 14, and 16).

<sup>96</sup> *See In re Altenpohl*, 198 U.S.P.Q. 289, 306 (Comm’r Pats. & Trademarks 1976).

Assistant Commissioner for Patents (“OACP”) for an investigation to determine if the application should be stricken for “fraud” on the Patent Office pursuant to Rule 56.<sup>97</sup>

In addition to failure to disclose the patent issued to Altenpohl’s father, the OACP investigation also uncovered prior uses and sales of the father’s poultry shackle.<sup>98</sup> The shackles in use and on sale were within the scope of Altenpohl’s original patent claims.<sup>99</sup> In the investigation, Altenpohl admitted knowledge of his father’s patent and the prior use and sales of his father’s shackle during the prosecution of the original patent application as well as during the prosecution of the reissue applications.<sup>100</sup> Altenpohl asserted, however, that he did not know he had a duty to disclose his father’s patent or the prior uses and sales to the PTO.<sup>101</sup> Neither he nor his patent attorney regarded the information as material to examination of the original patent or the reissues.<sup>102</sup>

In 1976, the reissue application was stricken from the PTO files on the ground of gross negligence, relying on *Norton* and *Kingsland*.<sup>103</sup>

The *Norton* case and the Altenpohl reissue exposed significant problems with enforcing the standard set in the duty of disclosure Supreme Court cases. In 1977, significant rule changes were made in what became known as the “Dann Amendments.”<sup>104</sup>

Rule 56 was amended to define when information is “material” and who has the duty of disclosure.<sup>105</sup> The Rule also provided that an “application shall be stricken from the files if it is established by clear and convincing evidence that any fraud was practiced or attempted on the [PTO] in connection with it or that there was any violation of the duty of disclosure through bad faith or gross negligence.”<sup>106</sup> The oath

<sup>97</sup> *Id.*

<sup>98</sup> *See id.* at 299.

<sup>99</sup> *See id.* at 302.

<sup>100</sup> *See id.* at 299.

<sup>101</sup> *Id.*

<sup>102</sup> *Id.* at 299.

<sup>103</sup> *Id.*, 198 U.S.P.Q. at 316, 318 (Comm’r Pats. & Trademarks 1976) (striking *Altenpohl* reissue application the files of the USPTO), *affirmed*, D.C.D.C 1980 (published in BNA PTCJ No. 483, page A-12 (June 12, 1980)); *see also In re Stockebrand*, 197 U.S.P.Q. 857, 859, 873 (Comm’r Pats & Trademarks 1978) (striking *Stockebrand* reissue application the files of the USPTO), *aff’d sub nom.* Digital Equip. Corp. v. Parker, 487 F. Supp. 1104 (D. Mass. 1980), *vacated sub nom.* Digital Equip. Corp. v. Diamond, 653 F.2d 701 (1st Cir. 1981). Cases in which applications were not stricken for fraud under Rule 56 include: *In re Lang*, 203 U.S.P.Q. 943 (Comm’r Pats. & Trademarks 1979), *In re Gabriel*, 203 U.S.P.Q. 463 (Comm’r Pats. & Trademarks 1978) (delaying decision of 37 C.F.R. § 1.56 pending Examiner’s consideration of prior art not disclosed); *In re Kubicek*, 200 U.S.P.Q. 545 (Comm’r Pats. & Trademarks 1978); *In re Cebalo*, 201 U.S.P.Q. 395 (Comm’r Pats. & Trademarks 1977); and *Carter v. Blackburn*, 201 U.S.P.Q. 544 (B.P.A.I. 1976).

<sup>104</sup> Patent Examining and Appeal Procedures, 42 Fed. Reg. 5588–5595 (Jan. 28, 1977) (to be codified at 37 C.F.R. pt. 1).

<sup>105</sup> *See id.* at 5589–5590.

<sup>106</sup> 37 C.F.R. § 1.56(d) (1977). In 1982, this section was amended to provide for rejecting applications pursuant to 35 U.S.C. § 131 and § 132 if “it is established by clear and convincing evidence (1) that any fraud was practiced or attempted on the Office in connection with the application, or in connection with any previous application upon which the application relied, or (2) that there was any violation of the duty of disclosure through bad faith or gross negligence in connection with the application, or in connection with any previous application upon which the application relies.” Reissue, Reexamination, Protest and Examination in Patent Cases, 47 Fed. Reg. 21746, 21747 (May 19, 1982) (to be codified at 37 C.F.R. pt. 1). Two such rejections affirmed by the

requirement in Rule 65 was amended to include a requirement that patent applicants acknowledge their duty of disclosure under Rule 56.<sup>107</sup> New Rules 97-99 were added to provide a vehicle for complying with the duty of disclosure.<sup>108</sup>

At the same time, the Office created a reissue-protest program as a vehicle to use the resources of the PTO to make determinations of patentability of allowed claims in issued patents over prior art not of record in the original prosecution.<sup>109</sup> Reissue Rule 175 was amended to allow no-fault reissues to be filed so that original claims could be evaluated over the prior art without having to allege an error.<sup>110</sup> Protest Rule 291 was amended to allow protests to be filed in patent applications, allowing protestors to allege “fraud on the PTO.”<sup>111</sup> A “fraud squad” was created in the OACP to investigate and decide issues of “fraud” alleged in patent applications.<sup>112</sup>

While not intended when the rules were promulgated, the reissue-protest program became more of an interpartes proceeding by 1981 through rulings made in the OACP.<sup>113</sup> When new rules were proposed in 1981 to expand the program into a full interpartes proceeding, it was met with major objections by the bar.<sup>114</sup> The Reissue-Protest program was terminated on December 8, 1981, but the PTO continued to decide issues of fraud in applications filed prior to December 8, 1981.<sup>115</sup>

## II. JUDGE MARKEY’S DECISIONS RE FINDINGS OF INEQUITABLE CONDUCT PRIOR TO *KINGSDOWN*

Judge Markey was the author of several decisions where “gross negligence” was an issue in deciding intent before authoring the decision in *Kingsdown*. These cases were *Kansas Jack, Inc. v. Kuhn*,<sup>116</sup> *J.P. Stevens & Co. v. Lex Tex Ltd.*,<sup>117</sup>

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PTO Board of Patent Appeals and Interferences and appealed to the Federal Circuit were: *In re Jerabek*, 789 F.2d 886 (Fed. Cir. 1986) and *In re Harita*, 847 F.2d 801 (Fed. Cir. 1988). The Court found in *Jerabek* that “inequitable conduct” occurred through the gross negligence of appellants’ counsel in failing to disclose to the PTO a very significant reference.” *In re Jerabek*, 789 F.2d at 892. In *Harita*, the Court reversed the decision of the Board and held that “intent has not been proved.” *In re Harita*, 847 F.2d at 809. The PTO had inferred intent from “gross negligence.” *Id.* The Court stated that “[w]e think we should not infer [intent] merely from some vague thing called ‘gross negligence’ an intent which it was the PTO’s obligation to establish . . .” *Id.*

<sup>107</sup> 42 Fed. Reg. 5590.

<sup>108</sup> *Id.* at 5590–5591.

<sup>109</sup> *Id.* at 5594–95.

<sup>110</sup> *Id.*

<sup>111</sup> *Id.* at 5595.

<sup>112</sup> See Harry F. Manbeck Jr., *Evolution and Future of New Rule 56 and the Duty of Candor: The Evolution and Issue of New Rule 56*, 20 AIPLA Q.J. 136, 139 (1992); Nilssen v. Osram Sylvania Prods., Inc. 440 F. Supp. 2d 884 (N.D. Ill. 2006).

<sup>113</sup> Patent Examining and Appeal Procedures, 42 Fed. Reg. 5594–5595 (Jan. 28, 1977) (to be codified at 37 C.F.R. pt. 1) (not explicitly providing for inter partes proceedings).

<sup>114</sup> Reexamination and Inter Partes Protest Proceedings, 46 Fed. Reg. 3162 (January 13, 1981) (to be codified at 37 C.F.R. pt. 1) (proposing expansion to full inter partes proceeding).

<sup>115</sup> Reissue, Reexamination, Protest and Examination Procedures in Patent Cases, 46 Fed. Reg. 55666 (November 10, 1981); 1013 *Official Gazette* 18-19, “*Interim Reissue, ... Protest, And Examination Procedures*” (December 8, 1981).

<sup>116</sup> 719 F.2d 1144 (Fed. Cir. 1983).

<sup>117</sup> 747 F.2d 1553 (Fed. Cir. 1984).

*FMC Corp. v. Manitowoc Co.*,<sup>118</sup> (“*Manitowoc*”) and *FMC Corp. v. Hennessy Industries, Inc.*<sup>119</sup> (“*Hennessy*”).

#### A. Kansas Jack v. Kuhn

In *Kansas Jack*, Judge Markey cited the *Norton* decision in the discussion of “Fraud” for the proposition that “[s]tatements made with gross negligence as to their truth may establish [the intent element of fraud].”<sup>120</sup> Kuhn alleged that during prosecution of the Kansas Jack patent, the applicant (Hagerty) had made a statement during the prosecution of the patent that the claimed invention (a frame straightening device) had a higher degree of safety than the prior art devices.<sup>121</sup> However, this statement was demonstrated at trial to be an inaccurate statement.<sup>122</sup> The district court found that Hagerty had not engaged in inequitable conduct and Federal Circuit agreed.<sup>123</sup> In the opinion for the court, Judge Markey stated that “Kuhn submitted no evidence that Hagerty had any reason, during the prosecution of his application, to disbelieve his statements to the PTO about safety” and that “[p]roof at trial that those statements may have been objectively untrue, or not universally true, cannot be retroactively employed to establish that they were made with gross negligence as to their truth.”<sup>124</sup>

Kuhn also alleged that Hagerty failed to disclose his knowledge of a prior art post made Kuhn.<sup>125</sup> Hagerty testified that he regarded the Kuhn post as unrelated to his invention.<sup>126</sup> The Federal Circuit found no reason to disturb district court’s finding that Hagerty’s testimony was credible.<sup>127</sup> Further, the district court found that “Kuhn had failed to show that Hagerty ‘in misrepresenting . . . the prior art . . . acted with . . . calculated recklessness.’”<sup>128</sup> Kuhn argued that “calculated recklessness” indicates a failure to apply the “gross negligence” standard of *Norton*.<sup>129</sup> Judge Markey stated:

We review judgments, . . . not words. Judge Kelleher’s “calculated recklessness” does not establish that Kuhn did prove “gross negligence”, nor does it establish on the whole record that an improper standard was in fact applied in evaluating the evidence, nor does it constitute reversible error on this record.<sup>130</sup>

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<sup>118</sup> 835 F.2d 1411 (Fed. Cir. 1987) [hereinafter *Manitowoc*].

<sup>119</sup> 836 F.2d 521 (Fed. Cir. 1987) [hereinafter *Hennessy*].

<sup>120</sup> *Kansas Jack, Inc. v. Kuhn*, 719 F.2d 1144, 1151 (Fed. Cir. 1983).

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> *Id.* at 1146.

<sup>124</sup> *Id.* at 1151.

<sup>125</sup> *Id.* at 1147, 1151–52 (stating that at one time Hagerty and Kuhn were coworkers).

<sup>126</sup> *Id.* at 1151–52.

<sup>127</sup> *Id.* at 1152.

<sup>128</sup> *Id.*

<sup>129</sup> *Id.*

<sup>130</sup> *Id.*

*B. J.P. Stevens v. Lex Tex Ltd.*

*Kansas Jack* was decided in 1983.<sup>131</sup> In 1984, *J.P. Stevens* was decided.<sup>132</sup> J.P. Stevens appealed a final judgment of the district court, which held that a patent held by Lex Tex Ltd. was infringed, valid and enforceable.<sup>133</sup> The Federal Circuit reversed that portion of the district court judgment that held the patent not unenforceable.<sup>134</sup>

A no-fault reissue application of the Lex-Tex patent was filed in the PTO.<sup>135</sup> While not stated in the decision, it appears that the litigation was stayed pending no-fault reissue proceedings in the PTO to consider prior art to Weiss and to DaGasso, known to the patent applicants, but not cited during the prosecution of the patent.<sup>136</sup> In the reissue proceeding, the claims at issue in the litigation were rejected under 35 U.S.C. § 103 over Weiss or DaGasso.<sup>137</sup> On appeal to the PTO Board of Patent Appeals and Interferences, some of the rejections were reversed while others were affirmed.<sup>138</sup>

Even though the district court indicated prior to filing the no-fault reissue that the PTO was “to serve essentially as a Special Master on validity; and stated that the examiner’s Report was to be treated in the trial of the validity issue as prima facie evidence of the facts it contained,”<sup>139</sup> the district court ignored the decision of the examiner and found that the “Weiss and DaGasso patents are either not as material as other art cited by the PTO or there is [sic] competent conflicting opinions by reasonable experts such that the failure to cite Weiss and DaGasso cannot constitute intentional deception or gross negligence.”<sup>140</sup> In the Federal Circuit opinion, Judge Markey held that the district court’s finding of materiality was clear error because the rejections alone made by the Examiner in the reissue proceeding “indicate that those references were clearly important to the PTO in deciding that most of the process claims were unpatentable.”<sup>141</sup>

In the discussion of threshold intent, Judge Markey stated that “[p]roof of deliberate scheming is not needed; gross negligence is sufficient,” and that “[g]ross negligence is present when the actor, judged as a reasonable person in his position, should have known of the materiality of a withheld reference.”<sup>142</sup> With respect to the conduct of applicants during prosecution of the patent, Judge Markey stated that the evidence shows “[t]here was . . . a relatively high degree of intent and that “[i]f there were no deliberate scheming, there was clearly reckless or grossly negligent activity.”<sup>143</sup> According to Judge Markey, the patent applicants:

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<sup>131</sup> *Id.* at 1146.

<sup>132</sup> *J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1556 (Fed. Cir. 1984).

<sup>133</sup> *Id.*

<sup>134</sup> *Id.*

<sup>135</sup> *See id.* at 1558.

<sup>136</sup> *See id.* at 1558.

<sup>137</sup> *Id.* at 1559.

<sup>138</sup> *See id.* at 1556.

<sup>139</sup> *Id.* at 1559.

<sup>140</sup> *Id.* at 1562.

<sup>141</sup> *Id.* at 1562.

<sup>142</sup> *Id.* at 1560.

<sup>143</sup> *Id.* at 1567.

[S]hould have known that [the Weiss and DaGasso] references would be important to the PTO, especially in light of certain undisputed facts: (1) claim 4 of the [continuation application of the patent] was rejected on DaGasso; (2) licenses were taken under Weiss and foreign counterparts to Weiss; and (3) corresponding foreign applications were rejected on Weiss.<sup>144</sup>

While the opinion infers that there may have been gross negligence with respect to patent applicants' conduct, Judge Markey looked at intent, taking into consideration *the evidence as a whole* to find that applicants knew or should have known of the materiality of the Weiss and DaGasso references.<sup>145</sup>

### C. FMC v. Manitowoc Co. and FMC v. Hennessy Industries

*Manitowoc* and *Hennessy* were decided three years after *J.P. Stevens*, and within two weeks of each other.<sup>146</sup> In both cases, FMC had brought a declaratory judgment action to have the patents declared unenforceable on the ground of inequitable conduct.<sup>147</sup> However, in each case, the Federal Circuit held that FMC had failed to prove inequitable conduct.<sup>148</sup>

The first case decided was *Manitowoc*.<sup>149</sup> FMC appealed portions of the district court's decision holding Manitowoc's patent enforceable—i.e. no inequitable conduct—denial of FMC's motion for attorneys fees and the court's rejection of FMC's unfair competition and antitrust claims.<sup>150</sup> The Federal Circuit determined that the appeal turned on whether or not Manitowoc was guilty of inequitable conduct in the prosecution of the patent.<sup>151</sup>

In the opinion of the court, Judge Markey stated that the district court correctly found that there was no inequitable conduct—i.e. “[t]here is no basis for findings of ‘materiality,’ ‘gross negligence,’ or ‘intent to deceive’ which would support a conclusion of inequitable conduct.”<sup>152</sup> In a footnote 9 of the opinion, Judge Markey said:

In *J.P. Stevens*, “gross negligence” was seen as occurring when a reasonable person “should have known of the materiality of a withheld reference.” *Inequitable conduct was found, but “gross negligence” alone was not described as mandating a finding of intent to mislead.* On the contrary,

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<sup>144</sup> *Id.* at 1564.

<sup>145</sup> *Id.* at 1567.

<sup>146</sup> *Hennessy*, 836 F.2d 521, 528 (Fed. Cir. 1987) (decided Dec. 30, 1987); *Manitowoc*, 835 F.2d 1411, 1418 (Fed. Cir. 1987) (decided Dec. 16, 1987).

<sup>147</sup> *Hennessy*, 836 F.2d at 522–23; *Manitowoc*, 835 F.2d at 1412.

<sup>148</sup> *Hennessy*, 836 F.2d at 522–23; *Manitowoc*, 835 F.2d at 1412.

<sup>149</sup> *Manitowoc*, 835 F.2d at 1411.

<sup>150</sup> *Id.* at 1412.

<sup>151</sup> *Id.* at 1413.

<sup>152</sup> *Id.* at 1415 (citing *FMC Corp. v. Manitowoc Co.*, 654 F. Supp. 915, 935 (N.D. Ill. 1987), *aff'd*, 835 F.2d 1411).

the court was careful to point out that no evidence of subjective good faith was adduced to offset gross negligence.<sup>153</sup>

In *J.P. Stevens*, Judge Markey stated that “[t]here is no evidence . . . that the [patent] applicants actually possessed a good faith belief in the argued claim interpretation” and that “[t]estimony . . . would have been helpful on that issue, but applicants passed away before trial without relevant depositions having been taken.”<sup>154</sup>

In discussing the intent element, Judge Markey stated that “[t]o be guilty of inequitable conduct, one must have intended to act inequitably.”<sup>155</sup> FMC alleged that Manitowoc had withheld material information from the examiner during prosecution of Manitowoc’s patent.<sup>156</sup> According to Judge Markey:

[O]ne who alleges a “failure to disclose” form of inequitable conduct must offer clear and convincing proof of: (1) prior art or other information that is material; (2) knowledge chargeable to applicant [footnoted omitted] of that prior art or information and of its materiality; and (3) failure of the applicant to disclose the art or information resulting from an intent to mislead the PTO.<sup>157</sup>

Judge Markey further stated that:

No single factor or combination of factors can be said always to *require* an inference of intent to mislead; yet a patentee facing a high level of materiality and clear proof that it knew or should have known of that materiality, can expect to find it difficult to establish “subjective good faith” sufficient to prevent the drawing of an inference of intent to mislead. A mere denial of intent to mislead (which would defeat every effort to establish inequitable conduct) will not suffice in such circumstances. Nonetheless, when, as here, the district court finds, on all the evidence, that an applicant had no knowledge of materiality, that that lack of knowledge was not due to gross negligence, and that applicant had no intent to mislead the PTO, the burden on an appellant attempting to overturn those findings is not met by mere argument that undisclosed art or information known to the applicant was material.<sup>158</sup>

In *Hennessy*, FMC alleged that three patents owned by Hennessy had been procured by inequitable conduct.<sup>159</sup> As to two of the patents, the Federal Circuit agreed with the district court’s holding that no inequitable conduct had been

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<sup>153</sup> *Id.* at 1415 n.9 (citing *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1560 (Fed. Cir. 1984)) (citation omitted) (emphasis added).

<sup>154</sup> *J.P. Stevens*, 747 F.2d at 1566.

<sup>155</sup> *Manitowoc*, 835 F.2d at 1415.

<sup>156</sup> *Id.* at 1414–15.

<sup>157</sup> *Id.* at 1415.

<sup>158</sup> *Id.* at 1416 (emphasis in original).

<sup>159</sup> *Hennessy*, 836 F.2d 521, 522 (Fed. Cir. 1987).

proved.<sup>160</sup> With respect to the remaining patent, the Federal Circuit remanded the case for determination of materiality and intent.<sup>161</sup>

FMC centered its argument on what it regarded as the district court's "wholly subjective and unacceptably low legal standard" in evaluating intent.<sup>162</sup> Specifically, FMC argued that the district court "did not refer specifically to 'gross negligence' in its opinion."<sup>163</sup> Citing, *inter alia*, *J.P. Stevens*, Judge Markey stated that "FMC correctly states that a determination of threshold intent may involve gross negligence as a factor."<sup>164</sup> He acknowledged that the Federal Circuit had "affirmed conclusions of inequitable conduct where the lower tribunal's intent finding was supported by a finding of gross negligence."<sup>165</sup> But he pointed out that "FMC incorrectly assumes, however, that subjective good faith can play *no* role in a court's ultimate determination of the intent issue, and that every district court finding of 'gross negligence' would necessarily *compel* a finding of 'intentional' nondisclosure."<sup>166</sup> Judge Markey further stated:

That a finding has often followed from a set of facts does not reduce that finding to mere tautology effective without regard to all the evidence. In *J.P. Stevens*, this court reversed the district court's conclusion of no inequitable conduct. Noting the district court's findings of gross negligence and a "high degree" of materiality, this court was careful to point out that Lex Tex had submitted *no* evidence of subjective good faith to offset evidence of gross negligence.

That the district court made no *explicit* gross negligence finding does not constitute reversible error in light of its findings of subjective good faith. As FMC concedes, the district court correctly stated the legal standards for inequitable conduct. We find nothing of record that would enable FMC to carry its appellate burden on its assertions that the district court misapplied those standards, ignored circumstantial evidence of intent, virtually required direct evidence of intent, or failed to consider objective evidence of intent.<sup>167</sup>

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<sup>160</sup> *Id.*

<sup>161</sup> *Id.* at 527.

<sup>162</sup> *Id.* at 525.

<sup>163</sup> *Id.*

<sup>164</sup> *Id.* (citing *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1560 (Fed. Cir. 1984)).

<sup>165</sup> *Hennessey*, 836 F.2d 521, 525 (Fed. Cir. 1987) (citing *Driscoll v. Cebalo*, 731 F.2d 878, 884–885 (Fed. Cir. 1984)). *Driscoll* arose out of two interference proceedings. *Driscoll*, 731 F.2d at 879. Party *Driscoll* filed a motion to strike the party *Cebalo* patent application for failure to bring to the attention a Canadian patent which *Cebalo* and his attorney knew was material to the claims pending in the patent application. *Id.* at 880, 882. While the Board of Appeals and Interferences found that *Cebalo* and his attorney were grossly negligent, the Board held that as "reprehensible" as their conduct may have been, it was constrained to find no fraud because "there was no reliance by the Examiner upon *Cebalo*'s violation of his duty of disclosure." *Id.* at 884. The Federal Circuit held that the Board's conclusion was in error. *Id.* The court found the evidence supported the Board's finding of "gross negligence" and that *Cebalo* and his attorney knew or should have known, that the Canadian patent would be material to the PTO's consideration. *Id.* at 885. According to the court, their failure to disclose the Canadian patent is "sufficient proof of the existence of an intent to mislead the PTO." *Id.*

<sup>166</sup> *Hennessey*, 836 F.3d at 525 (emphasis in original).

<sup>167</sup> *Id.* (citation omitted) (emphasis in original).

III. *KINGSDOWN MEDICAL CONSULTANTS, LTD V. HOLLISTER, INC.*

Kingsdown appealed a judgment of the district court holding that Kingsdown's patent was unenforceable because of inequitable conduct.<sup>168</sup> The district court found that the attorney who prosecuted the patent was grossly negligent in asserting that a claim was allowable, when it had been previously rejected.<sup>169</sup>

Kingsdown's patent is continuation of a parent application, which included claim 50.<sup>170</sup> During prosecution, the claim was amended to overcome an indefiniteness rejection.<sup>171</sup> While other claims were rejected over prior art, the examiner indicated that the amendment to claim 50 overcame the rejection and would be allowable.<sup>172</sup> When the continuation was filed, 22 claims from the parent application were included in the continuation.<sup>173</sup> Among the claims was unamended claim 50, which became claim 43 in the continuation.<sup>174</sup> Unamended claim 43 was allowed by the Examiner and became claim 9 in Kingsdown's patent.<sup>175</sup>

The district court found that this mistake was material because "allowability of claim 50 turned on the amendment overcoming the rejection."<sup>176</sup> The district court found "deceitful intent" because "Kingsdown was grossly negligent in not noticing the error, or, in the alternative, because Kingsdown's acts indicated an intent to deceive the PTO."<sup>177</sup> The district court further found that "Kingsdown's patent attorney was grossly negligent in not catching the misrepresentation because a mere ministerial review of the language of amended claim 50 in the parent application and of claim 43 in the continuing application would have uncovered the error, and because Kingsdown's patent attorney had had several opportunities to make that review."<sup>178</sup> The district court found that the attorney's conduct amounted to "gross negligence" and inferred from his conduct "intent to deceive the PTO."<sup>179</sup> The district court further inferred that there was a motive to deceive where "Kingsdown's patent attorney viewed the Hollister appliance after he had amended claim 50 and before the continuation application was filed."<sup>180</sup>

In reversing the district court's finding of inequitable conduct, the Federal Circuit recognized that the district court's finding was based on the alternative grounds of intent, namely (1) "gross negligence" and (2) "acts indicating an intent to deceive."<sup>181</sup> The district court relied on gross negligence to infer intent.<sup>182</sup> The

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<sup>168</sup> *Kingsdown Fed. Cir.*, 863 F.2d 867, 869 (Fed. Cir. 1988) (en banc).

<sup>169</sup> *Kingsdown Med. Consultants, Inc. v. Hollister, Inc.*, No. 84 C 6113, 1988 U.S. Dist. LEXIS 19509, at \*8-9 (N.D. Ill. Mar. 18, 1988) [hereinafter *Kingsdown Dist. Ct.*], *rev'd and remanded*, 863 F.2d 867 (Fed. Cir. 1988).

<sup>170</sup> *Id.* at \*4-5.

<sup>171</sup> *Id.* at \*2-3 (rejecting the application under 35 U.S.C. § 112).

<sup>172</sup> *Id.* at \*2-3.

<sup>173</sup> *Kingsdown Fed. Cir.*, 863 F.2d 867, 870 (Fed. Cir. 1988).

<sup>174</sup> *Kingsdown Dist. Ct.*, 1988 U.S. Dist. LEXIS 19509, at \*4-5.

<sup>175</sup> *Id.* at \*5.

<sup>176</sup> *Kingsdown Fed. Cir.*, 863 F.2d at 871 (citing *Kingsdown Remand*, 1988 U.S. Dist. LEXIS 19509, at \*7).

<sup>177</sup> *Id.* (citing *Kingsdown Dist. Ct.*, 1988 U.S. Dist. LEXIS 19509, at \*8-9).

<sup>178</sup> *Id.* at 871-72 (citing *Kingsdown Dist. Ct.*, 1988 U.S. Dist. LEXIS 19509, at \*8-9).

<sup>179</sup> *Id.* (citing *Kingsdown Dist. Ct.*, 1988 U.S. Dist. LEXIS 19509, at \*8-9).

<sup>180</sup> *Id.* at 872 (citing *Kingsdown Dist. Ct.*, 1988 U.S. Dist. LEXIS 19509, at \*4).

<sup>181</sup> *Id.*

Federal Circuit held that the evidence did not warrant a finding that the patent attorney's conduct amounted to gross negligence.<sup>183</sup> In the opinion, Judge Markey stated that "[w]hether the intent element of inequitable conduct is present cannot always be inferred from a pattern of conduct that may be described as gross negligence. That conduct must be sufficient to require a finding of deceitful intent in the light of all the circumstances."<sup>184</sup>

While Judge Markey acknowledged that the patent attorney may have been careless and inattentive, this was insufficient to infer intent to deceive.<sup>185</sup> Among the undisputed facts considered by Judge Markey for holding that Kingsdown's patent attorney did not intend to deceive were (i) the mistake was not discovered until after the patent issued, (ii) the similarity of claims 50 and 43, (iii) use of the same claim number 50 for the amended and unamended claims, (iv) multiplicity of claims in the prosecution of the parent and continuation applications, (v) the two year interval between the rejection and amendment of claim 50 and the filing of the continuation application, (vi) the examiner's failure to notice the differences between claims 43 and 50 and that unamended claim 50 had been rejected, and (vii) the failure of Hollister to notice the error during three years of discovery in the litigation.<sup>186</sup>

The decision in *Kingsdown* was an *en banc* decision.<sup>187</sup> In resolving prior decisions which "suggested that a finding of gross negligence compels a finding of an intent to deceive,"<sup>188</sup> Judge Markey stated:

"Gross negligence" has been used as a label for various patterns of conduct. It is definable, however, only in terms of a particular act or acts viewed in light of all the circumstances. 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, include evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.<sup>189</sup>

#### IV. AFTERMATH OF *KINGSDOWN*

"Gross negligence" as a separate threshold element of intent to establish inequitable conduct had its beginning in *Norton*.<sup>190</sup> The standard had been adopted by the PTO and it was made part of the new Rule 56 as amended in 1977.<sup>191</sup> The

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<sup>182</sup> *Id.* at 873.

<sup>183</sup> *Id.*

<sup>184</sup> *Id.*

<sup>185</sup> *Id.*

<sup>186</sup> *Id.*

<sup>187</sup> *Id.* at 876 (resolving conflicting precedent regarding gross negligence and the intent element of inequitable conduct).

<sup>188</sup> *Id.*

<sup>189</sup> *Id.* at 876.

<sup>190</sup> See *Norton v. Curtiss*, 433 F.2d 779, 796 (C.C.P.A. 1970).

<sup>191</sup> See Patent Examining and Appeal Procedures, 42 Fed. Reg. 5588, 5590 (Jan. 28, 1977) (to be codified at 37 C.F.R. pt. 1).

standard was applied in decisions on the issue of fraud by the PTO as well as by the district courts.

As a result of the *Kingsdown* decision, Rule 56 was amended in 1992 to delete the “gross negligence” standard from the rule.<sup>192</sup> What conduct constitutes “gross negligence” was never really defined by the courts. As pointed out by Judge Markey in *Kingsdown*, “[g]ross negligence’ has been used as a *label* for various patterns of conduct.”<sup>193</sup> On the same set of facts, jurists can differ on what is or is not “gross negligence.” But a label of gross negligence alone is not sufficient to establish a threshold of intent.<sup>194</sup> After *Kingsdown*, intent must be based on an evaluation of all evidence, including any evidence of good faith, and the evidence must be clear and convincing to show that the actor intended to deceive the PTO.<sup>195</sup>

Query: Would *J.P. Stevens* have been decided differently after *Kingsdown*? The answer is no. Judge Markey’s decision in *J.P. Stevens* was based on *evidence taken as a whole*, including evidence of good faith, and not just *per se*, “gross negligence.”<sup>196</sup> The decision is consistent with the holding in *Kingsdown*.

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<sup>192</sup> See Duty of Disclosure, 57 Fed. Reg. 2021, 2034 (January 17, 1992) (to be codified at 37 C.F.R. pts. 1 and 10).

<sup>193</sup> *Kingsdown Fed. Cir.*, 863 F.2d at 876 (emphasis added).

<sup>194</sup> See *id.*

<sup>195</sup> See *id.*

<sup>196</sup> *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1567 (Fed. Cir. 1984).