FEDERAL CIRCUIT PATENT LAW CASE UPDATE

Digital Control Inc. v. The Charles Mach. Works, 05-1128 (Fed. Cir. Feb. 8, 2006) (Clevenger, J.)

The court vacated the unenforceability judgment because there were genuine issues as to the materiality of failure to disclose prior art during prosecution of Digital's patent for horizontal direct drilling systems to track, monitor and direct the drilling. On summary judgment, there were questions whether the withheld patent was merely cumulative of other submitted prior art.

Digital control owns three patents with nearly identical specifications related to horizontal direct drilling systems to track, monitor and direct the drilling. The materiality prong of inequitable conduct was adjudicated on partial summary judgment, while the district court held a bench trial for intent.

> The court noted that it has "not yet determined whether the new Rule 56 is the same as the 'reasonable examiner' standard of the old Rule 56, or, if the new standard is narrower" . . . However, this is not the first time that this court has been faced with applying more than one standard of materiality.

The court traced a history showing four tests for materiality.

> However, because a party alleging inequitable conduct need only prove a "threshold level" of materiality in order to proceed to the second "balancing" portion of the inequitable conduct inquiry, and because the PTO's "reasonable examiner" standard was broader than the other three standards, the PTO standard gradually became the sole standard invoked by this court. . . .
>
> Even though the PTO's "reasonable examiner" standard became the dominant standard invoked by this court, in no way did it supplant or replace the case law precedent. Rather, it provided an additional test of materiality, albeit a broader and all-encompassing test. Similarly, the PTO's recent adoption of an arguably narrower standard of materiality does not supplant or replace our case law. Rather, it merely provides an additional test of materiality. That is, if a misstatement or omission is material under the new Rule 56 standard, it is material. Similarly, if a misstatement or omission is material under the "reasonable examiner" standard or under the older three tests, it is also material. As we reasoned in American Hoist, to the extent that one standard requires a higher showing of materiality than another standard, the requisite finding of intent may be lower. . . .
>
> In this case, the district court, faced with the two versions of Rule 56, determined that the new Rule 56 standard was essentially the same as the "reasonable examiner" standard, and thus applied the "reasonable examiner" standard and our case law interpreting that standard. . . . Because the "reasonable examiner" standard and our case law interpreting that standard were not supplanted by the PTO's adoption of a new Rule 56, when reviewing the district court's decision, we will do the same.

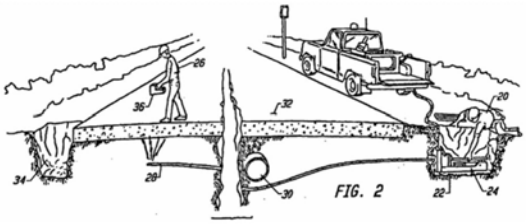

FIG. 2

While the court agree that misstatements by the inventor were material, it disagreed as to the materiality of the failure to cite certain prior art to the PTO. Since both the statements and the failure to cite were the basis of the district court's partial summary judgment on the materiality prong, the court vacated and remanded the case.

> Because there are genuine issues of material fact as to what the Geller reference teaches, and thus whether the [non-disclosed] Rorden patent is cumulative of the Geller patent, the issue of whether the failure to disclose the Rorden patent was a material omission was not properly decided at summary judgment.

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