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EQUITABLE ATTACKS ON PATENTS LIVE ON: TWO CASES STUDIES

May 28, 2020

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Who are these guys?

And why am I listening to them?

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“Once is happenstance.

Twice is coincidence.

The third time, it’s enemy action.”

— Ian Fleming

What Is Inequitable Conduct?

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Patent prosecutors, inventors, and others have a duty of candor to the United States Patent and Trademark Office

That duty may be violated by

- Failure to submit material prior art known by the applicant; or
- Misstatements of fact, including misstatements in affidavits, concerning patentability

A finding of inequitable conduct may have grave consequences

- A finding that all claims of the patent are “unenforceable”
- Related patents may be “infected” and declared unenforceable
- Disciplinary actions against the patent prosecutor
- Antitrust liability

A Powerful Weapon Overused

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"[T]he habit of charging inequitable conduct in almost every major patent case has [been] an ***absolute plague***. Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds, to represent their client's interests adequately, perhaps. They get anywhere with the accusation in but a small percentage of the cases, but such charges are ***not inconsequential*** on that account. They ***destroy the respect for one another's integrity***, for being fellow members of an honorable profession, that used to make the bar a valuable help to the courts in making a sound disposition of their cases, and to sustain the good name of the bar itself."

Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988).

Two Elements to Inequitable Conduct

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1. Materiality

2. Intent

Materiality Before *Therasense*

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The Materiality Prong Shifted Over Time as the USPTO Changed Its Standard Under Rule 56

- The "reasonable examiner" standard after the 1977 amendments to 37 CFR 1.56
  - "substantial likelihood that a reasonable examiner would consider the reference important in deciding whether to allow the application to issue as a patent"

- "Prima facie (plus)" after the 1992 amendments to 37 CFR 1.56
  - The reference establishes, by itself or in combination, a prima facie case of unpatentability of a claim, or
  - It refutes, or is inconsistent with, a position the applicant takes in opposing an argument of unpatentability or asserting an argument of patentability

Intent Before *Therasense*

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The Federal Circuit Articulated Intent in Multiple Ways

- Court views the conduct in light of all the evidence ("totality of the circumstances")
- Absence of a good faith explanation for conduct may be evidence to support a finding of inequitable conduct
- Inference must be the single most reasonable inference able to be drawn from the evidence
- Court must determine whether that conduct in its totality manifests a sufficiently culpable state of mind to warrant a determination that it was inequitable

Inequitable Conduct After *Therasense*

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Materiality

- **A new “but-for" test**
  - The PTO would not have allowed a claim had it been aware of the undisclosed prior art
- **Exception:** Affirmative **egregious misconduct**
  - “When the patentee has engaged in affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is material.”

Intent to Deceive

- Applicant knew of the reference, knew it was material, and made a deliberate decision to withhold it
- Specific intent to deceive must be "the **single most reasonable inference** able to be drawn from the evidence.”

Commentator's Takes on *Therasense*

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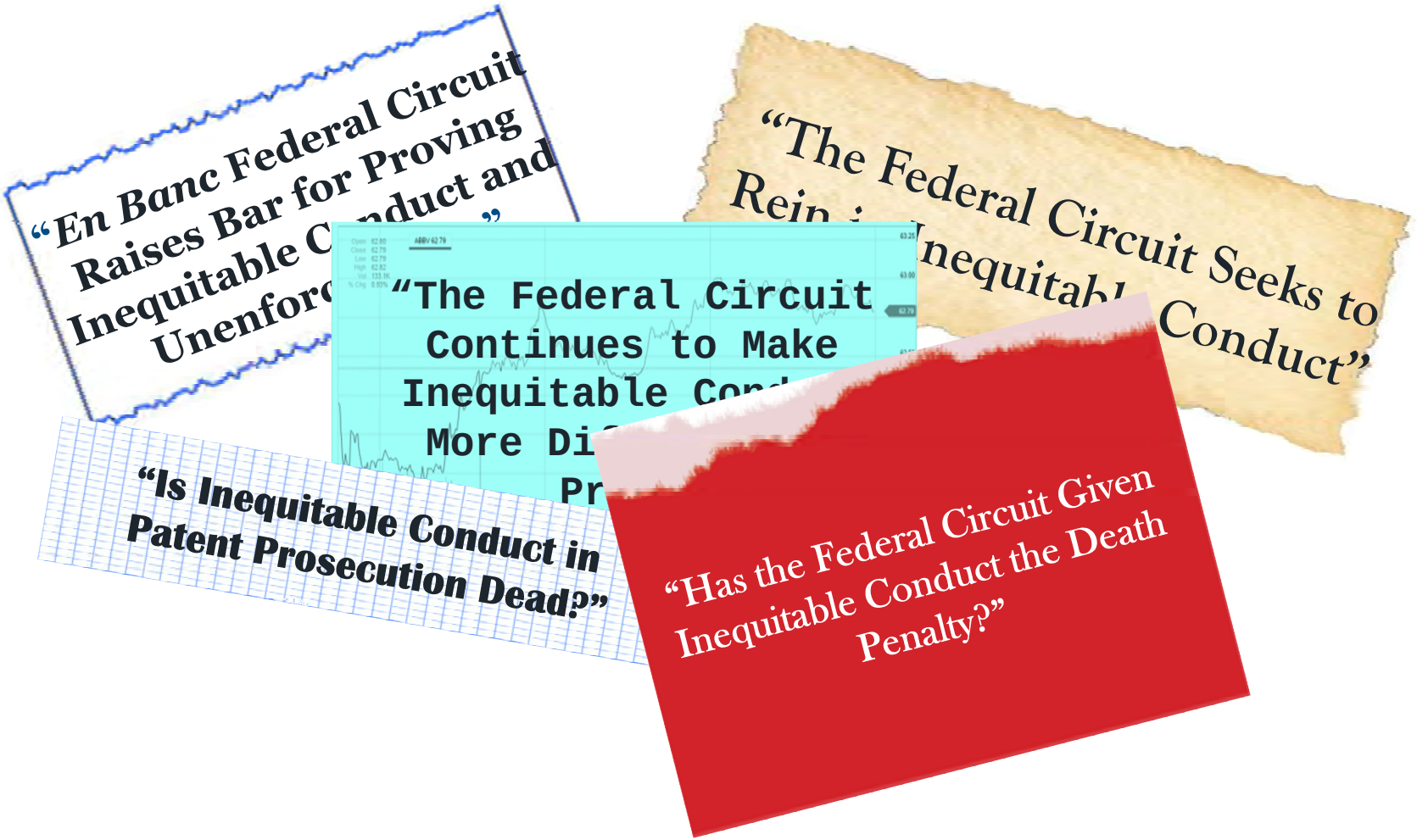

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"The reports of my death are greatly exaggerated."

—Mark Twain

A New Paradigm?

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Intellect Wireless, Inc. v. HTC Corp.	*Transweb LLC v. 3M Innovative Properties Co.*	*Apotex, Inc. v. UCB, Inc.*
Inventor Henderson engaged in a "**pattern of deceit**"	In-house counsel "undertook an intentional **scheme**"	"In the aggregate, Dr. Sherman's conduct evidences a ***pattern of lack of candor***"

Two Recent Cases

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GS CleanTech Corp. v. Adkins Energy LLC., No. 16-2231 (Fed. Cir. Mar. 2, 2020)

Gilead Sciences Inc. v. Merck & Co. Inc., *888 F.3d 1231* (Fed. Cir. 2018)

The District Court's Seven Deadly Sins Committed by CleanTech

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1. Failure to disclose the June 2003 Report of testing
2. Failure to disclose the July 2003 Test results
3. Failure to disclose the July 2003 System Diagram
4. Failure to disclose the July 31, 2003, Proposal
5. Its "threat" to Agri-Energy
6. Material misstatements in the First Cantrell Declaration
7. Material misstatements in the Second Cantrell Declaration

The District Court's Seven Deadly Sins Committed by CleanTech

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4. Failure to disclose the July 31, 2003, Proposal
5. Its "threat" to Agri-Energy
6. Material misstatements in the First Cantrell Declaration
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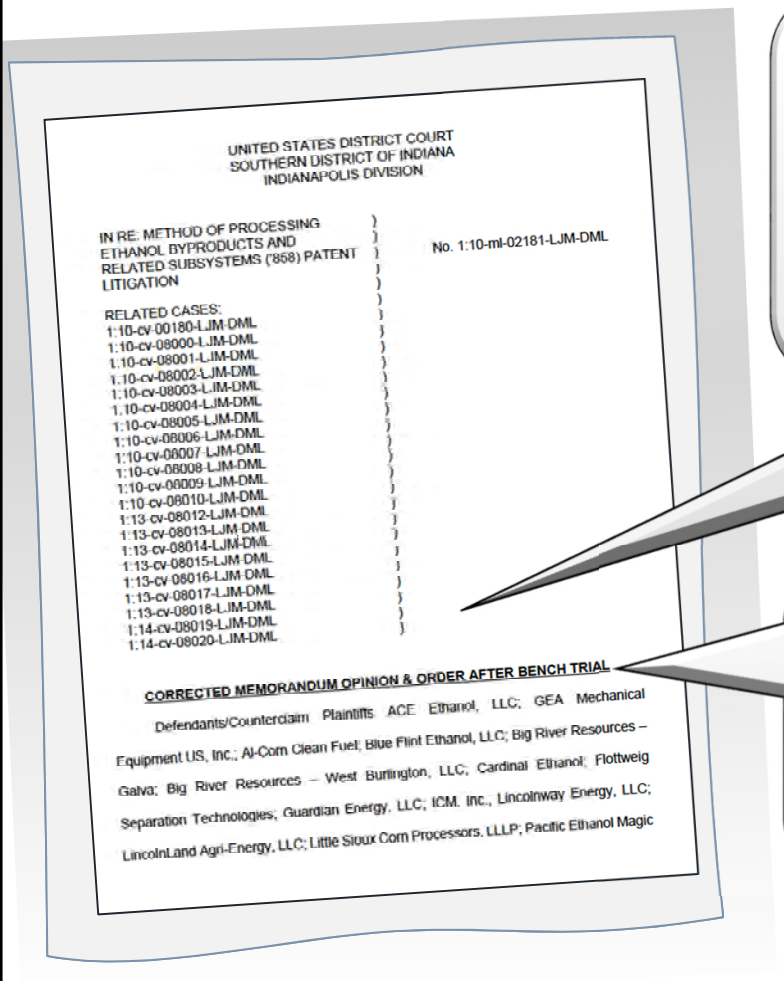
The District Court's Bottom Line on Inequitable Conduct



UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

IN RE: METHOD OF PROCESSING ETHANOL BYPRODUCTS AND RELATED SUBSYSTEMS ('858) PATENT LITIGATION

No. 1:10-ml-02181-LJM-DML

RELATED CASES:
1:10-cv-00180-LJM-DML
1:10-cv-08000-LJM-DML
1:10-cv-08001-LJM-DML
1:10-cv-08002-LJM-DML
1:10-cv-08003-LJM-DML
1:10-cv-08004-LJM-DML
1:10-cv-08005-LJM-DML
1:10-cv-08006-LJM-DML
1:10-cv-08007-LJM-DML
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1:13-cv-08013-LJM-DML
1:13-cv-08014-LJM-DML
1:13-cv-08015-LJM-DML
1:13-cv-08016-LJM-DML
1:13-cv-08017-LJM-DML
1:13-cv-08018-LJM-DML
1:14-cv-08019-LJM-DML
1:14-cv-08020-LJM-DML

CORRECTED MEMORANDUM OPINION & ORDER AFTER BENCH TRIAL

Defendants/Counterclaim Plaintiffs ACE Ethanol, LLC; GEA Mechanical Equipment US, Inc.; Al-Corn Clean Fuel; Blue Flint Ethanol, LLC; Big River Resources – Galva; Big River Resources – West Burlington, LLC; Cardinal Ethanol; Flottweig Separation Technologies; Guardian Energy, LLC; ICM, Inc., Lincolnway Energy, LLC; LincolnLand Agri-Energy, LLC; Little Sioux Corn Processors, LLLP; Pacific Ethanol Magic

"[T]he inventors made a mistake in July/August 2003 and offered their invention for sale to Agri-Energy. Later, they took affirmative steps to hide that fact from their lawyers, then, later the PTO when they learned that it would prevent them from profiting from the patents."

"It appears to the Court that the lawyers ignored the red flags waiving before them. In order to believe [Inventor] Cantrell, they had to ignore other evidence … it appears to the Court that the attorneys substituted advocacy for candor …."

CleanTech's Pre-Filing Activities

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Jun. to Jul. 2003

CleanTech conducts two tests of its oil recovery invention

Jun. to Jul. 2003

CleanTech creates an Oil Recovery System Diagram describing the invention

CleanTech's Pre-Filing Activities

SQUIRE PATTON BOGGS

Jun. to Jul. 2003

CleanTech conducts two tests of its oil recovery invention

Jul. 31, 2003

CleanTech creates a proposal for Agri-Energy to try CleanTech's invention

Jun. to Jul. 2003

CleanTech creates an Oil Recovery System Diagram describing the invention

The July 31, 2003, Proposal Included an Offer to Purchase for $423,000

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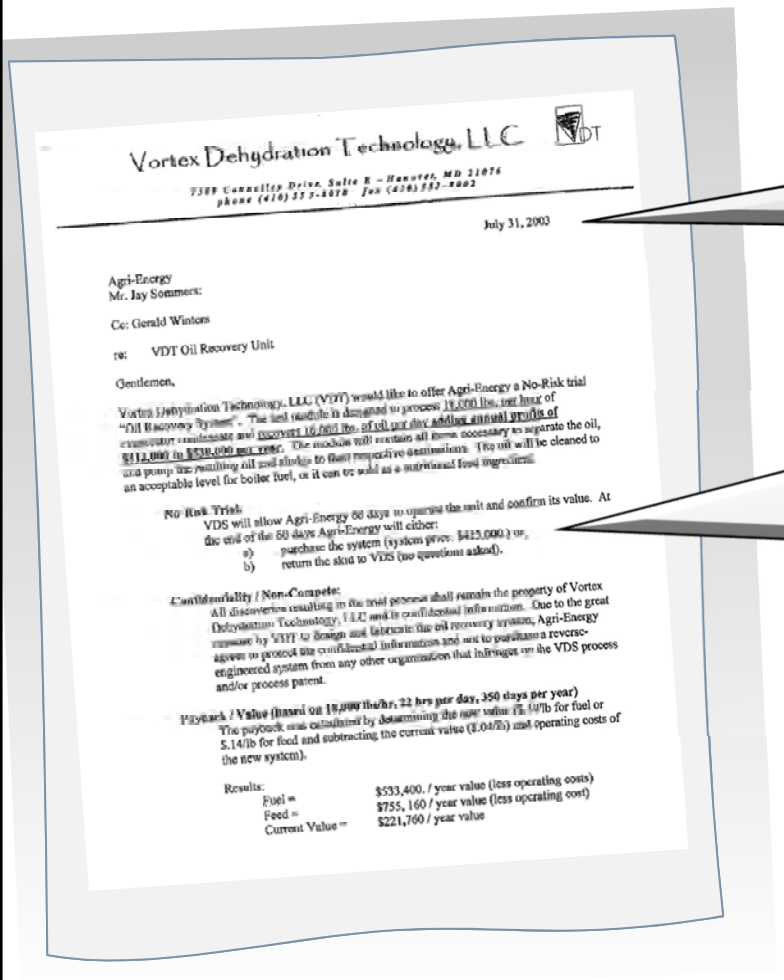

Vortex Dehydration Technology, LLC

July 31, 2003

Agri-Energy
Mr. Jay Sommers:

Cc: Gerald Winters

re: VDT Oil Recovery Unit

Gentlemen,

Vortex Dehydration Technology, LLC (VDT) would like to offer Agri-Energy a No-Risk trial "Oil Recovery System". The test module is designed to process 18,000 lbs. per hour of [illegible] and recover 16,560 lbs. of oil per day adding annual profits of $412,000 to $530,000 per year. The module will contain all items necessary to separate the oil, and pump the resulting oil and alcohol to their respective containers. The oil will be cleaned to an acceptable level for boiler fuel, or it can be sold as a nutritional feed ingredient.

No Risk Trial:
VDS will allow Agri-Energy 60 days to operate the unit and confirm its value. At the end of the 60 days Agri-Energy will either:
a) purchase the system (system price: $423,000.) or,
b) return the skid to VDS (no questions asked).

Confidentiality / Non-Compete:
All discoveries resulting in the trial process shall remain the property of Vortex Dehydration Technology, LLC and is confidential information. Due to the great expense by VDT to design and fabricate the oil recovery system, Agri-Energy agrees to protect its confidential information and not to purchase a reverse-engineered system from any other organization that infringes on the VDS process and/or process patent.

Payback / Value (based on 18,000 lbs/hr, 22 hrs per day, 350 days per year)
The payback was calculated by determining the new value ($.14/lb for fuel or 5.14/lb for feed and subtracting the current value ($.04/lb) and operating costs of the new system).

Results:
Fuel = $533,400. / year value (less operating costs)
Feed = $755, 160 / year value (less operating cost)
Current Value = $221,760 / year value

July 31, 2003

No-Risk Trial:
VDS will allow Agri-Energy 60 days to operate the unit and confirm its value. At the end of the 60 days Agri-Energy will either:
a) purchase the system (system price: $423,000.) or,
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CleanTech's Pre-Filing Activities

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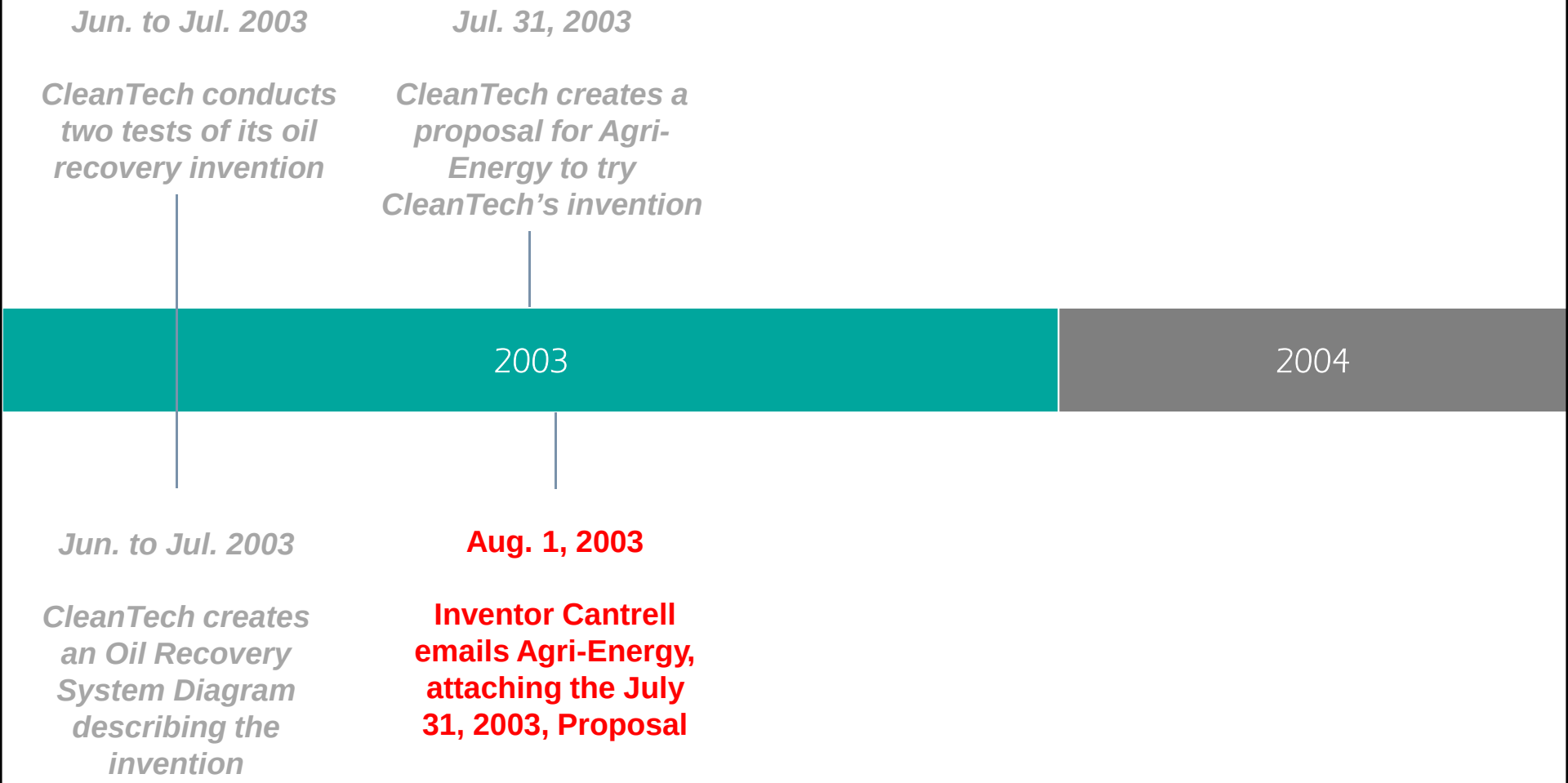
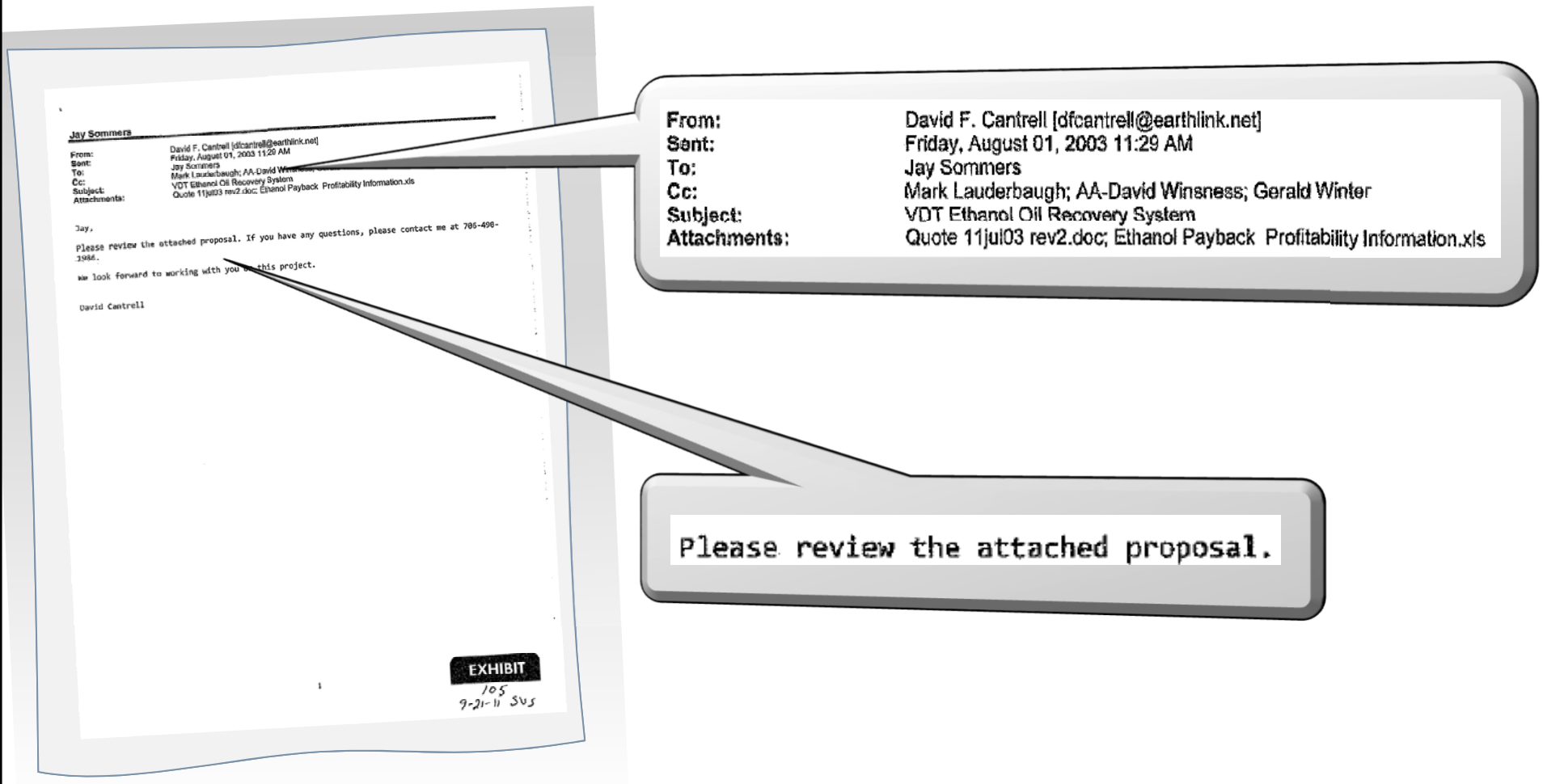


CleanTech Emailed the July 31, 2003, Proposal to Agri-Energy on August 1, 2003



CleanTech's Pre-Filing Activities

SQUIRE PATTON BOGGS

Jun. to Jul. 2003

CleanTech conducts two tests of its oil recovery invention

Jul. 31, 2003

CleanTech creates a proposal for Agri-Energy to try CleanTech's invention

Aug. 18, 2003

Inventor Cantrell presents CleanTech's Proposal to the Agri-Energy Board

2003

2004

Jun. to Jul. 2003

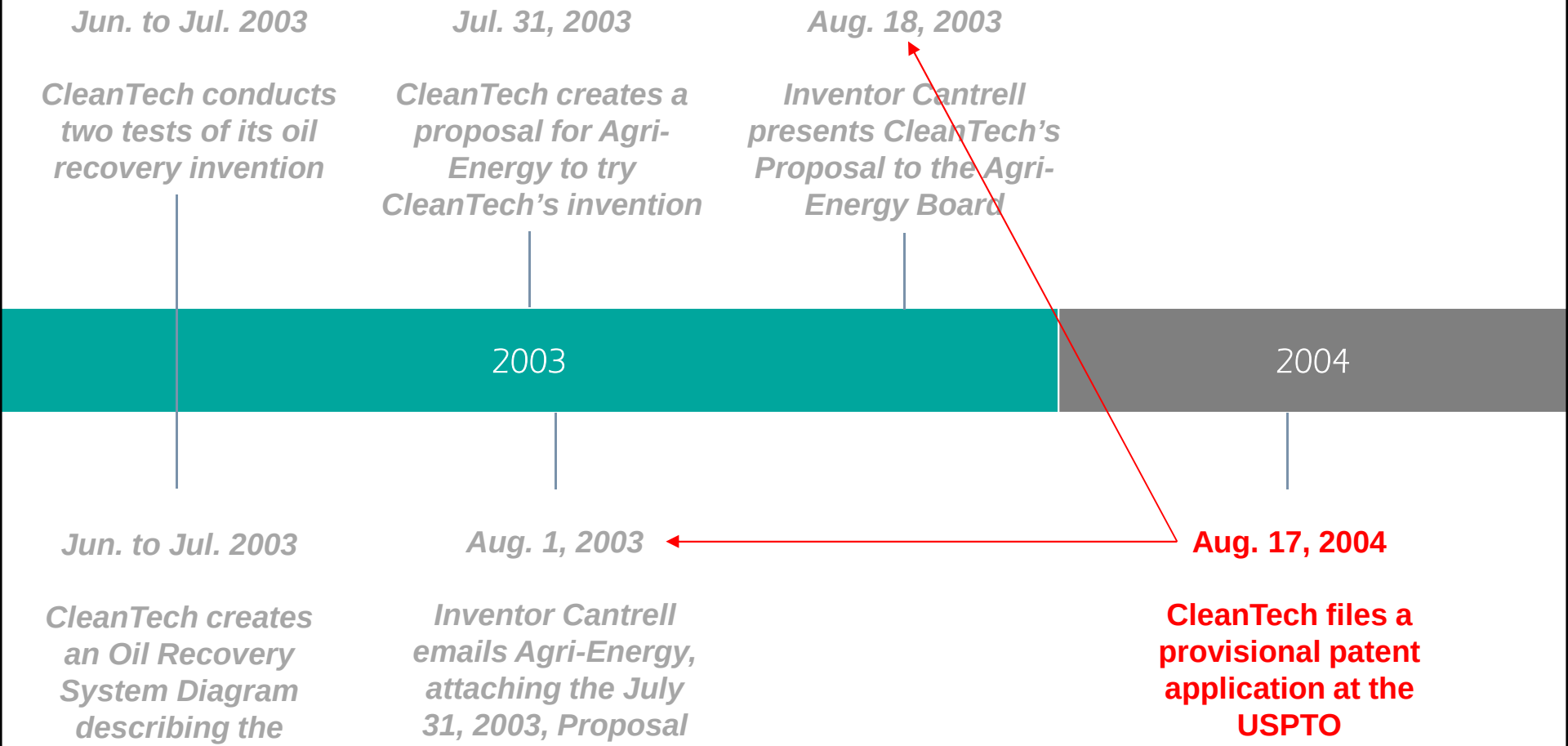
CleanTech creates an Oil Recovery System Diagram describing the invention

Aug. 1, 2003

Inventor Cantrell emails Agri-Energy, attaching the July 31, 2003, Proposal

CleanTech's Pre-Filing Activities

SQUIRE PATTON BOGGS



CleanTech Commences Litigation…and Makes a Threat!

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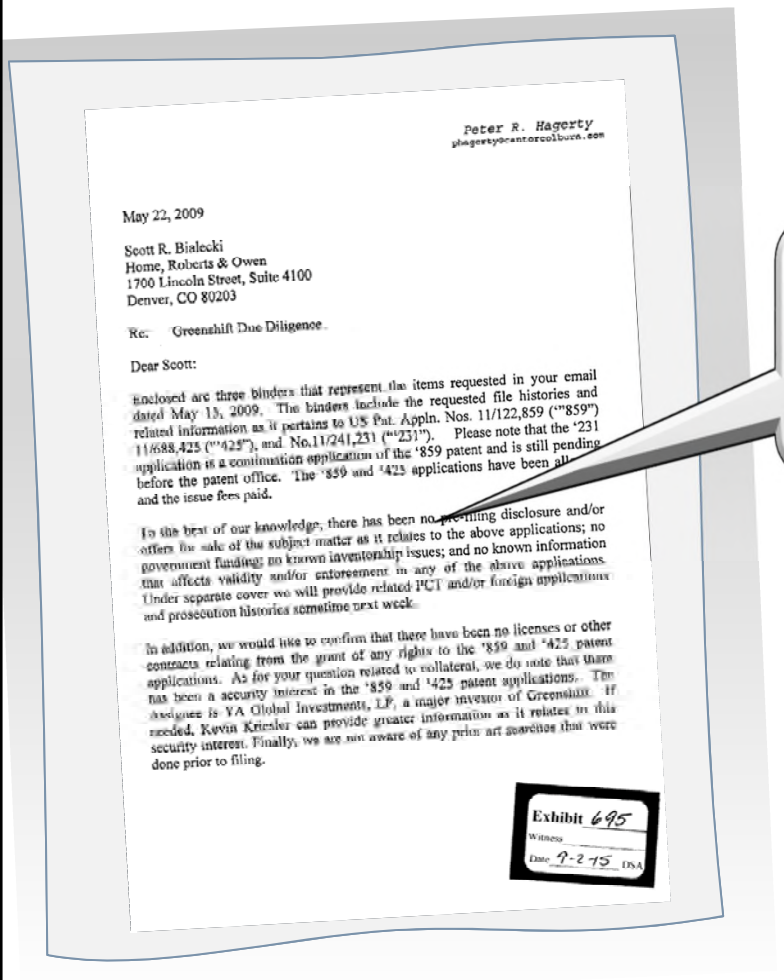
May to Jun. 2009

CleanTech subjected to patent due diligence by a potential investor

CleanTech Denied Having Information About Offers to Sell



Peter R. Hagerty
phagerty@orrick.com

May 22, 2009

Scott R. Bialecki
Home, Roberts & Owen
1700 Lincoln Street, Suite 4100
Denver, CO 80203

Re: Greenshift Due Diligence

Dear Scott:

Enclosed are three binders that represent the items requested in your email dated May 13, 2009. The binders include the requested file histories and related information as it pertains to US Pat. Appln. Nos. 11/122,859 ("'859") 11/688,425 ("'425"), and No.11/241,231 ("'231"). Please note that the '231 application is a continuation application of the '859 patent and is still pending before the patent office. The '859 and '425 applications have been all and the issue fees paid.

To the best of our knowledge, there has been no pre-filing disclosure and/or offers for sale of the subject matter as it relates to the above applications; no government funding; no known inventorship issues; and no known information that affects validity and/or enforcement in any of the above applications. Under separate cover we will provide related PCT and/or foreign applications and prosecution histories sometime next week.

In addition, we would like to confirm that there have been no licenses or other contracts relating from the grant of any rights to the '859 and '425 patent applications. As for your question related to collateral, we do note that there has been a security interest in the '859 and '425 patent applications. The assignee is VA Global Investments, LP, a major investor of Greenshift. If needed, Kevin Kriesler can provide greater information as it relates to this security interest. Finally, we are not aware of any prior art searches that were done prior to filing.

Exhibit 695
Witness
Date 9-2-15 DSA

"To the best of our knowledge, there has been no pre-filing disclosure and/or offers for sale of the subject matter as it relates to the above applications"

CleanTech Commences Litigation…and Makes a Threat!

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May to Jun. 2009

CleanTech subjected to patent due diligence by a potential investor

Sept. 2009

Cantor Colburn adds contingency fee litigation to its prosecution work

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Feb. 2010

CleanTech files the first of over twenty patent infringement suits

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Mar. 18, 2010

Inventor Winsness discovers an original of the July 31, 2003, Proposal in Inventor Cantrell's home files

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Mar. 24, 2010

Original copy of the July 31, 2003, Proposal provided to Cantor Colburn

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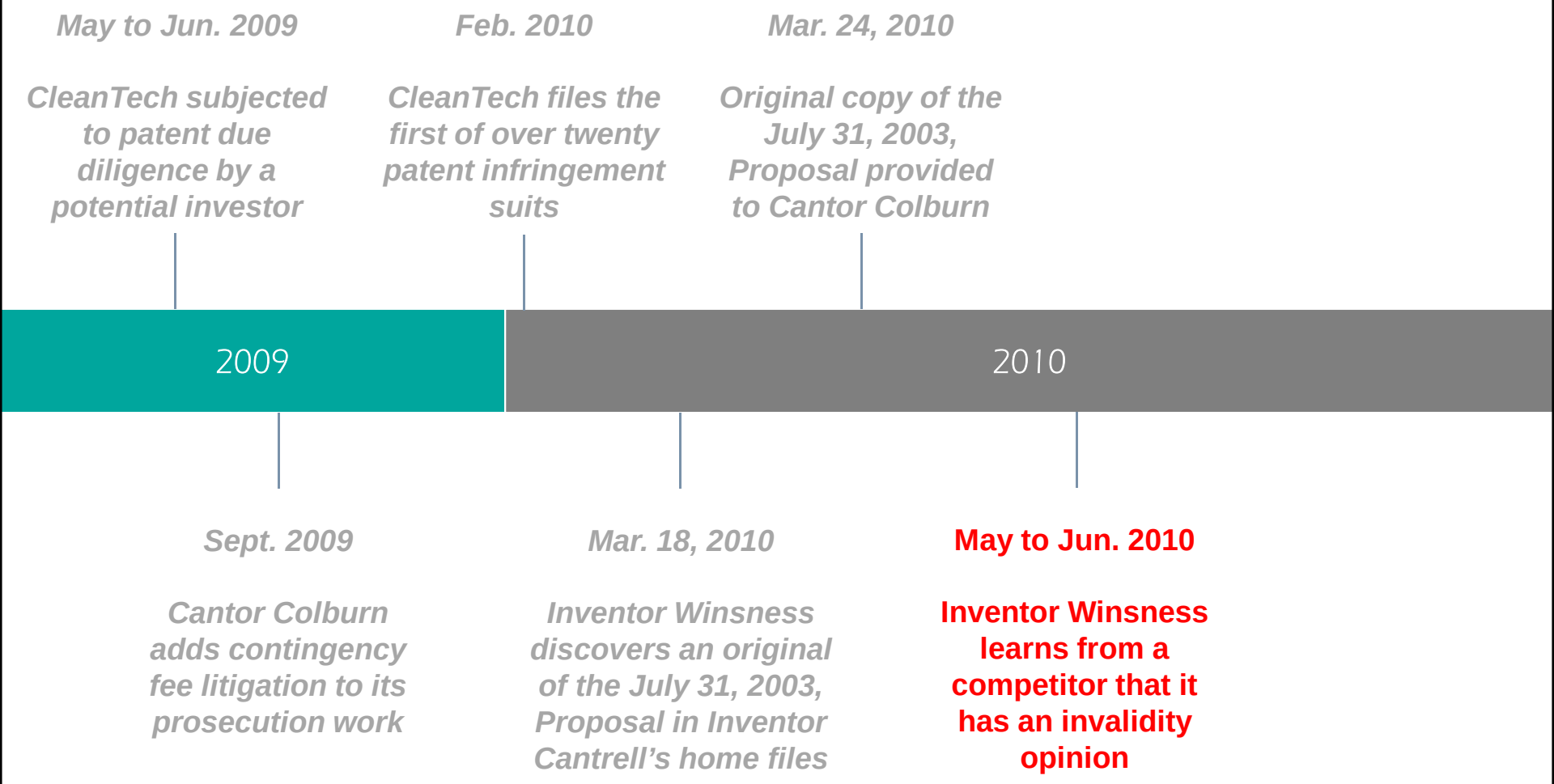

CleanTech Commences Litigation…and Makes a Threat!

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May to Jun. 2009

CleanTech subjected to patent due diligence by a potential investor

Feb. 2010

CleanTech files the first of over twenty patent infringement suits

Mar. 24, 2010

Original copy of the July 31, 2003, Proposal provided to Cantor Colburn

Jun. 2010

Inventor Winsness conducts an "unannounced" visit to Agri-Energy

Sept. 2009

Cantor Colburn adds contingency fee litigation to its prosecution work

Mar. 18, 2010

Inventor Winsness discovers an original of the July 31, 2003, Proposal in Inventor Cantrell's home files

May to Jun. 2010

Inventor Winsness learns from a competitor that it has an invalidity opinion

The Court Concluded That Inventor Winsness "Threatened Agri-Energy with Legal Action"

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CleanTech Testimony:

Inventor Winsness:

He "confronted" Agri-Energy employees about "why they were dealing with" CleanTech's competitor"

He wanted to "clear the air" by having Agri-Energy discuss the issue with Cantor Colburn

Agri-Energy Testimony:

Darryl Nelson:

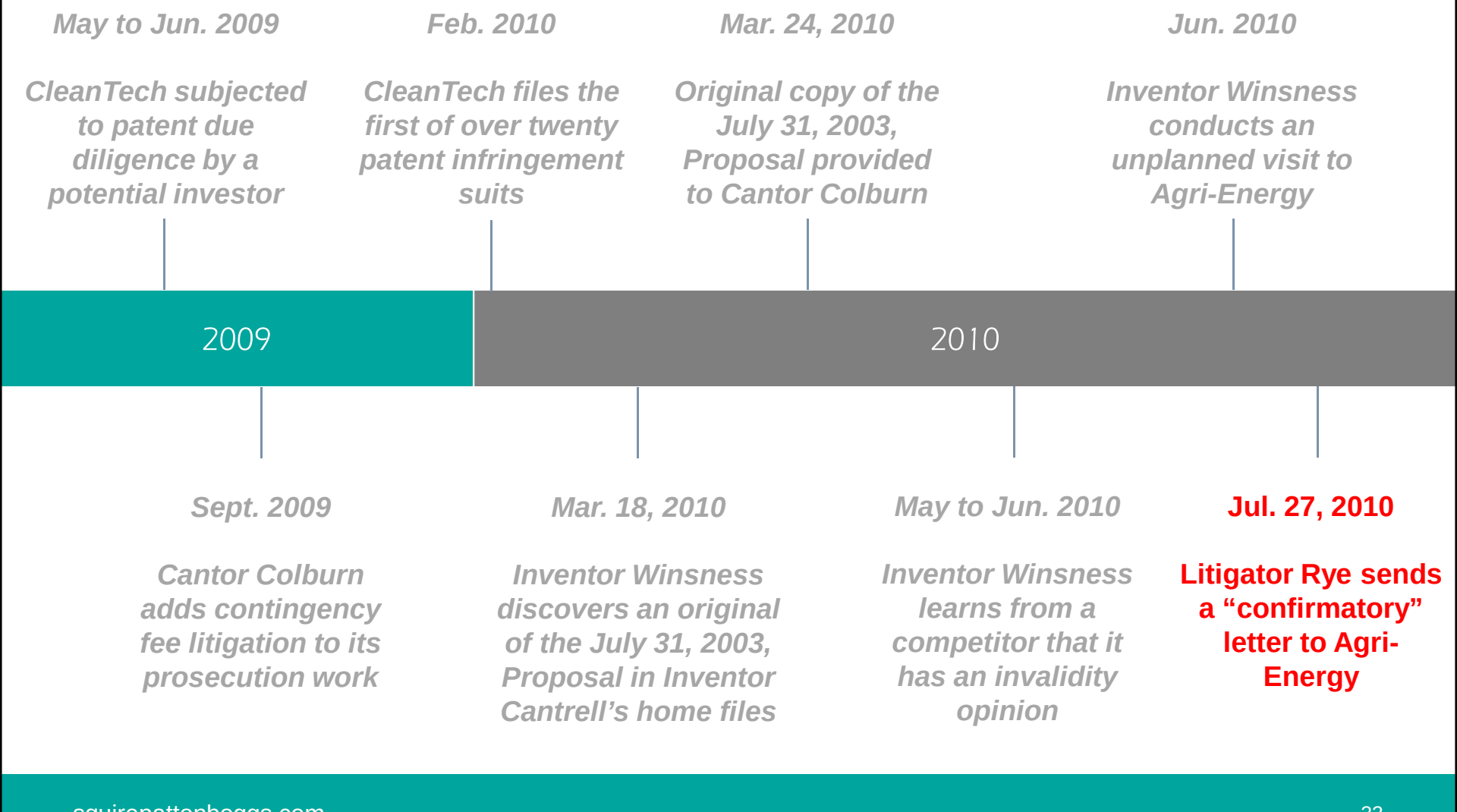
He was "surprised by Winsness's visit"

Inventor Winsness offered Agri-Energy a "royalty free license in exchange for Agri-Energy's willingness to admit that the pending patents were valid"

Winsness's visit left Nelson with a "negative impression"

CleanTech Commences Litigation…and Makes a Threat!

SQUIRE PATTON BOGGS



The Court Concludes That Cantor Colburn's "Confirmatory Letter" Was a "Thinly-Veiled Threat"

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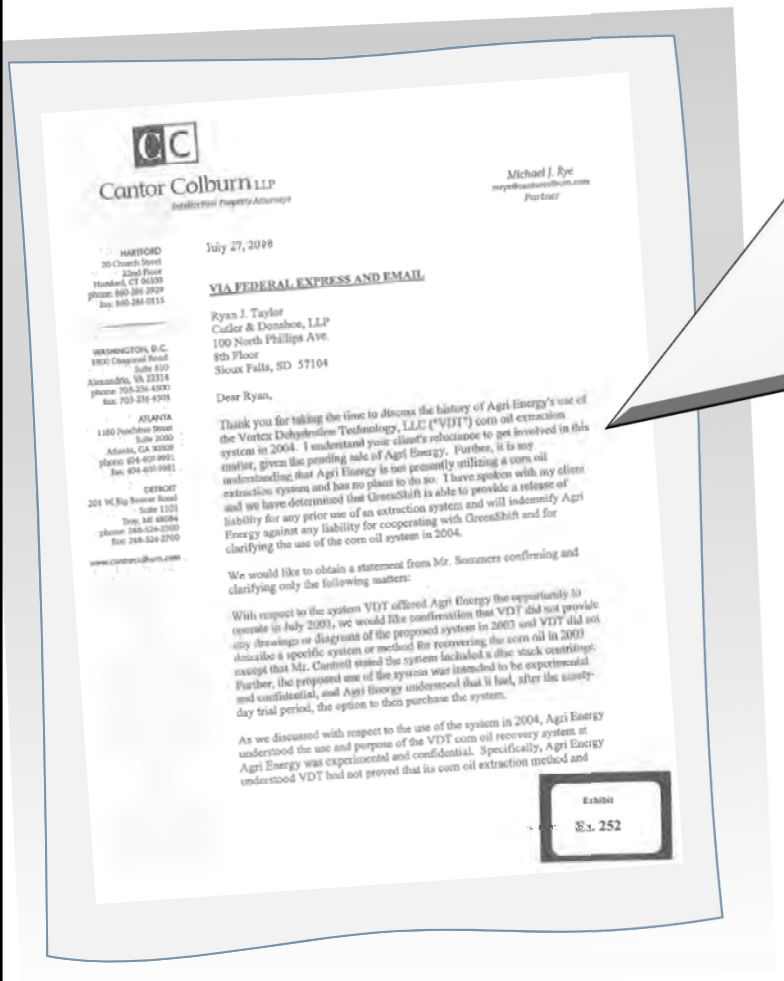

Cantor Colburn LLP
Intellectual Property Attorneys

Michael J. Rye
Partner

July 27, 2008

VIA FEDERAL EXPRESS AND EMAIL

Ryan J. Taylor
Cutler & Donahoe, LLP
100 North Phillips Ave.
9th Floor
Sioux Falls, SD 57104

Dear Ryan,

Thank you for taking the time to discuss the history of Agri Energy's use of the Vortex Dehydration Technology, LLC ("VDT") corn oil extraction system in 2004. I understand your client's reluctance to get involved in this matter, given the pending sale of Agri Energy. Further, it is my understanding that Agri Energy is not presently utilizing a corn oil extraction system and has no plans to do so. I have spoken with my client and we have determined that GreenShift is able to provide a release of liability for any prior use of an extraction system and will indemnify Agri Energy against any liability for cooperating with GreenShift and for clarifying the use of the corn oil system in 2004.

We would like to obtain a statement from Mr. Sommers confirming and clarifying only the following matters:

With respect to the system VDT offered Agri Energy the opportunity to operate in July 2003, we would like confirmation that VDT did not provide any drawings or diagrams of the proposed system in 2003 and VDT did not describe a specific system or method for recovering the corn oil in 2003 except that Mr. Cantrell stated the system included a disc stack centrifuge. Further, the proposed use of the system was intended to be experimental and confidential, and Agri Energy understood that it had, after the ninety-day trial period, the option to then purchase the system.

As we discussed with respect to the use of the system in 2004, Agri Energy understood the use and purpose of the VDT corn oil recovery system at Agri Energy was experimental and confidential. Specifically, Agri Energy understood VDT had not proved that its corn oil extraction method and

Exhibit
Ex. 252

- Offered a "release of liability" and an indemnity "against any liability' in exchange for "cooperating with" CleanTech
- Sought a statement from Agri-Energy confirming that
  1. CleanTech did not provide Agri-Energy with any diagrams in 2003
  2. CleanTech did not describe the 2003 system
  3. CleanTech's 2003 work was "experimental and confidential"
  4. Agri-Energy's option to purchase only only became effective after the 90-day trial period

The Saga of the July 31, 2003, Proposal and the August 1, 2003, Email

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Aug./Sept. 2010

Inventor Cantrell recalls first giving the 2003 Proposal to Agri-Energy on Aug. 18, 2003

The Saga of the July 31, 2003, Proposal and the August 1, 2003, Email

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Aug./Sept. 2010

Inventor Cantrell recalls first giving the 2003 Proposal to Agri-Energy on Aug. 17, 2003

Nov. 9, 2010

CleanTech and Cantor Colburn file the First Cantrell Declaration with the PTO

Apparently Unaware of the August 1, 2003, Email, Inventor Cantrell Swears to August 18, 2003

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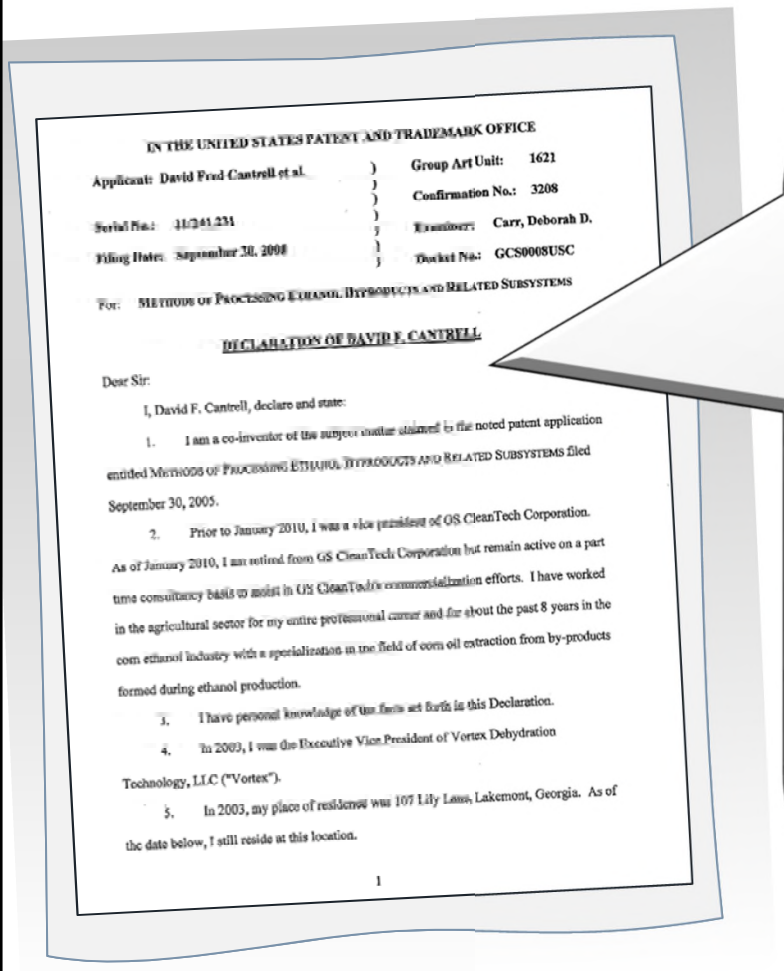


IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicant: David Fred Cantrell et al. | Group Art Unit: 1621
Confirmation No.: 3208
Serial No.: 11/241,231 | Examiner: Carr, Deborah D.
Filing Date: September 30, 2005 | Docket No.: GCS0008USC

For: METHODS OF PROCESSING ETHANOL BYPRODUCTS AND RELATED SUBSYSTEMS

DECLARATION OF DAVID F. CANTRELL

Dear Sir:

I, David F. Cantrell, declare and state:

1. I am a co-inventor of the subject matter claimed in the noted patent application entitled METHODS OF PROCESSING ETHANOL BYPRODUCTS AND RELATED SUBSYSTEMS filed September 30, 2005.

2. Prior to January 2010, I was a vice president of GS CleanTech Corporation. As of January 2010, I am retired from GS CleanTech Corporation but remain active on a part time consultancy basis to assist in GS CleanTech's commercialization efforts. I have worked in the agricultural sector for my entire professional career and for about the past 8 years in the corn ethanol industry with a specialization in the field of corn oil extraction from by-products formed during ethanol production.

3. I have personal knowledge of the facts set forth in this Declaration.

4. In 2003, I was the Executive Vice President of Vortex Dehydration Technology, LLC ("Vortex").

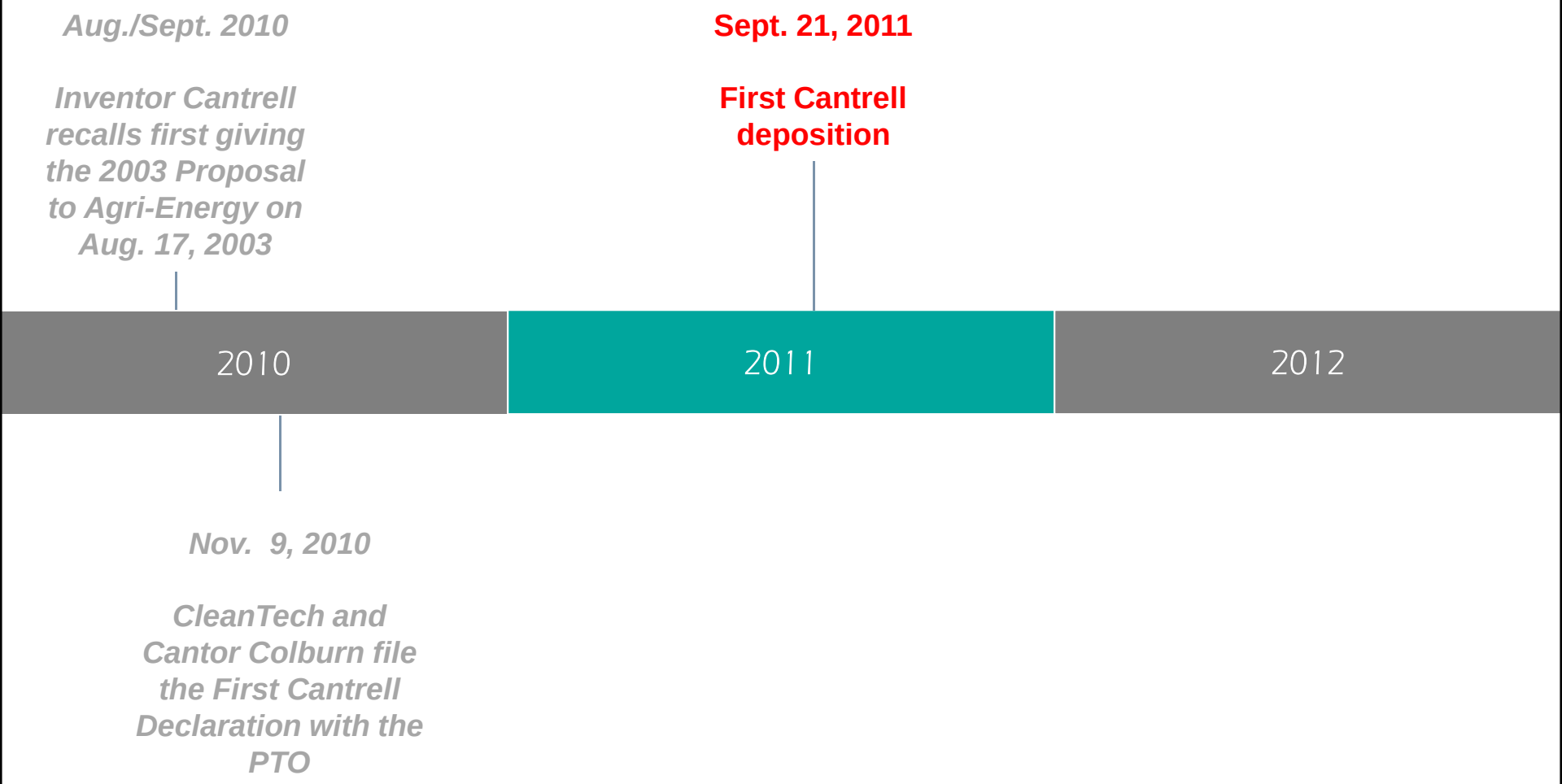
5. In 2003, my place of residence was 107 Lily Lane, Lakemont, Georgia. As of the date below, I still reside at this location.

1

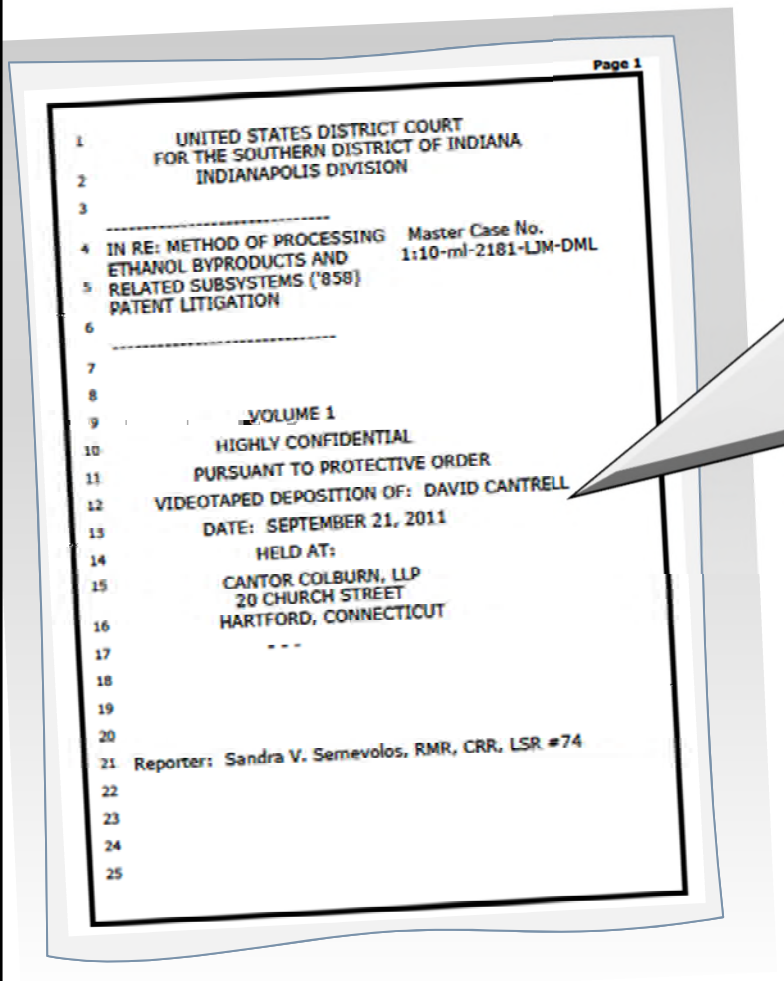
"11. On August 18, 2003, I attended a face-to-face meeting with Agri-Energy's representatives. It was during that meeting on August 18, 2003 that I hand delivered the Letter to Agri-Energy's representatives. My hand delivery of the Letter at this meeting on August 18, 2003 was the first time that the Letter was shown to Agri-Energy. The Letter was never mailed to Agr-Energy."

The Saga of the July 31, 2003, Proposal and the August 1, 2003, Email

SQUIRE PATTON BOGGS



Inventor Cantrell Is Confronted for the First Time with the August 1 Email and 2003 Proposal



Page 1

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

IN RE: METHOD OF PROCESSING ETHANOL BYPRODUCTS AND RELATED SUBSYSTEMS ('858) PATENT LITIGATION

Master Case No. 1:10-ml-2181-LJM-DML

VOLUME 1
HIGHLY CONFIDENTIAL
PURSUANT TO PROTECTIVE ORDER
VIDEOTAPED DEPOSITION OF: DAVID CANTRELL
DATE: SEPTEMBER 21, 2011
HELD AT:
CANTOR COLBURN, LLP
20 CHURCH STREET
HARTFORD, CONNECTICUT

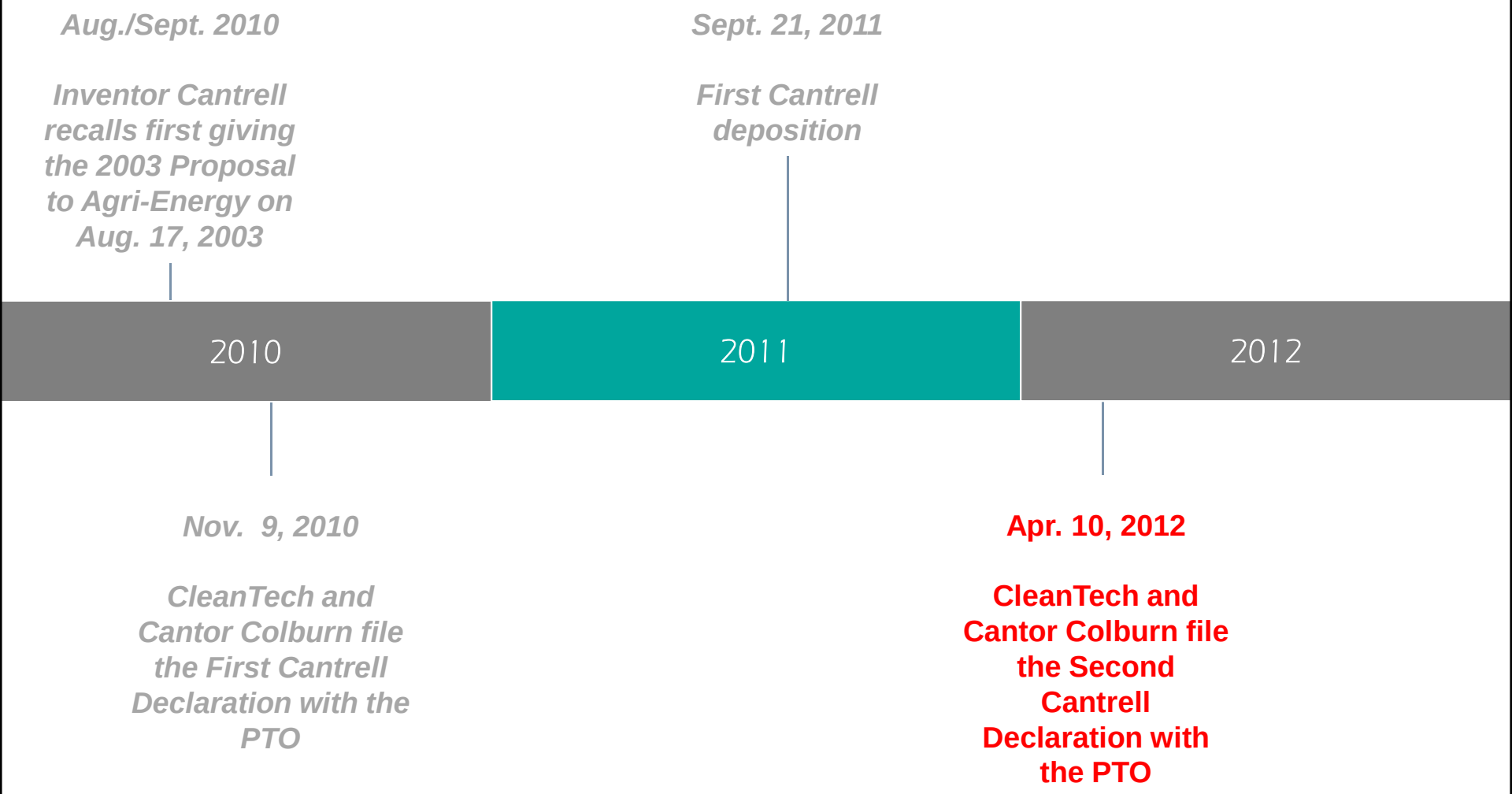
Reporter: Sandra V. Semevolos, RMR, CRR, LSR #74

Q: Do you stand by your statement in paragraph 11 that "My hand delivery of the letter at this meeting on August 18th was the first time that the letter was shown to Agri-Energy"?

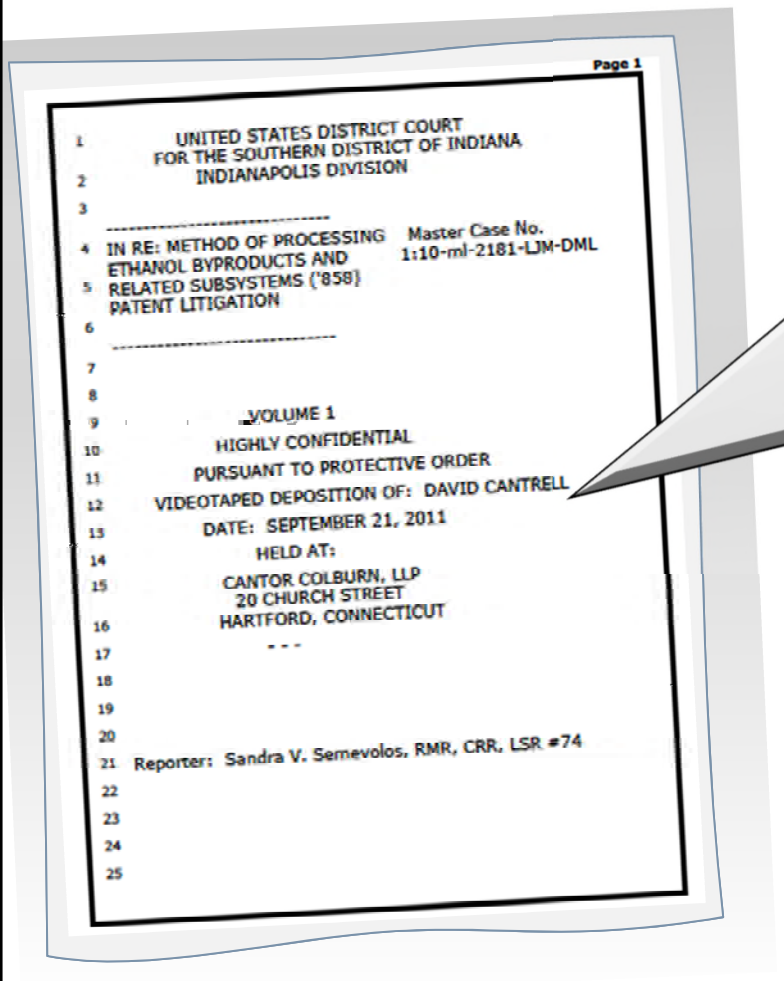
A: Yes, I do. Because I don't believe the authenticity of this letter.

The Saga of the July 31, 2003, Proposal and the August 1, 2003, Email

SQUIRE PATTON BOGGS



Inventor Cantrell Failed to Adequately Correct the False Statements in the First Cantrell Declaration



Page 1

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Master Case No. 1:10-ml-2181-LJM-DML

VOLUME 1
HIGHLY CONFIDENTIAL
PURSUANT TO PROTECTIVE ORDER
VIDEOTAPED DEPOSITION OF: DAVID CANTRELL
DATE: SEPTEMBER 21, 2011
HELD AT:
CANTOR COLBURN, LLP
20 CHURCH STREET
HARTFORD, CONNECTICUT

- - -

Reporter: Sandra V. Semevolos, RMR, CRR, LSR #74

2. At the time that I signed a Declaration dated November 5, 2010 … I did not recall the August 1st email.

3. The July 31 Letter attached to the August 1 email was unsigned.

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CLE

For those of you who require CLE credits please note the following states have been approved for Diversity & Inclusion CLE: AZ,CA, NJ and NY. Pending in SC and VA.

Please write down the following affirmation code ***PAT528***

A couple business days after today's session you will receive an email with a link to the ***uniform certificate of attendance*** and ***program evaluation*** to complete and SUBMIT to Robin Hallagan at robin.hallagan@squirepb.com.

Merck: Success Before the Jury

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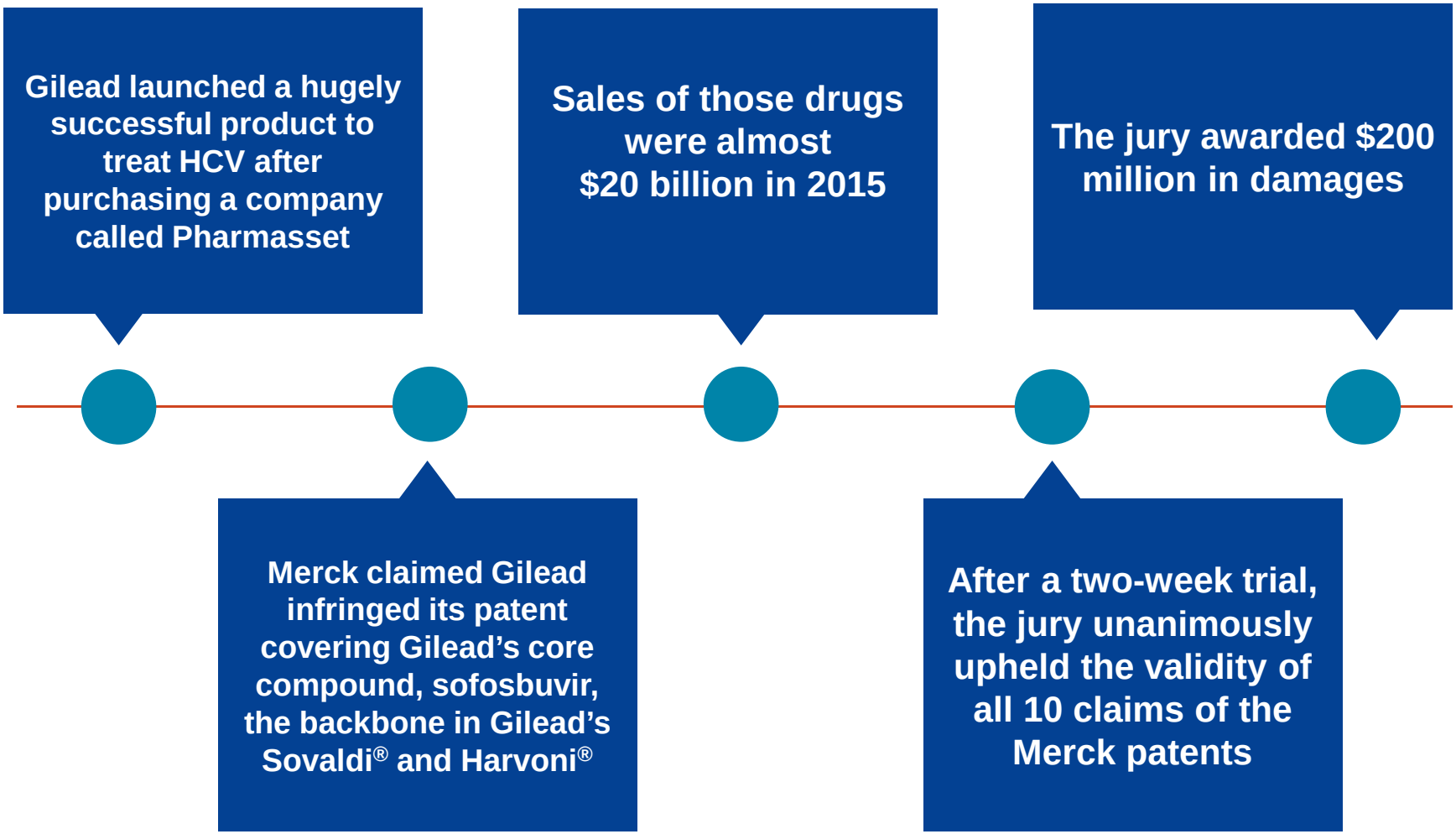

Meet Phil Durette

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- Bench scientist turned patent attorney
- Prosecuted cases covering so-called “nucleoside inhibitors”
- As Merck looked to expand its portfolio, it entered due diligence with Pharmasset, a leader in nucleoside chemistry
- Not on the “clean team,” but nevertheless joined a call where Pharmasset disclosed the structure of its unpublished lead compound, PSI-6130
- Told Pharmasset he was on the “clean team”
- Drafted a claim covering PSI-6130 in a Merck application after Phrmasset published the structure
- When Merck accused Gilead of patent infringement, Gilead claimed that Merck had “unclean hands” based on Dr. Durette’s participation in the diligence and sought to have the jury decision vacated

Dr. Durette's Deposition Testimony

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Q: *How are you so sure 11 years later that you were never told what the structure was for the 6130 compound?*

A: *The structure* ***was not revealed to me by individuals*** *at Merck or otherwise. I'm* ***positive of that****. I never saw a structure of the Pharmasset compounds until it published later on in time. . .*

Q: *How can you be so sure of that memory?*

A: *So this was assigned to another person. So* ***I would not have participated in a phone call*** *wherein it was a potential for the revelation of the structure to Merck counsel.*

Q: *Why would that have been inappropriate for you to have been told the structure of 6130?*

A: *Because I was prosecuting a docket which had potential a conflict with Pharmasset's IP positions on the subject matter.*

Not On That Call?

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"At the time of his deposition, no one told Dr. Durette that Pharmasset's Alan Roemer had taken ***contemporaneous notes*** *of that March 17, 2004, patent due diligence phone call. . . Mr. Roemer testified that* ***Dr. Durette participated*** *in the call and that* ***Dr. Durette was provided the structure*** *of PSI- 6130 on that call. "*

Trial Didn't Improve Dr. Durette's Situation

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"When confronted with his deposition testimony that he had not participated in the Pharmasset-Merck due diligence call, Dr. Durette said he was "relying too much on his memory."

"Dr. Durette attempted to explain away his deposition testimony by stating that he had a lapse in memory and 'over concluded' based on his memory. . ."

The Court Appeared Displeased

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"Throughout the prosecution of this case, Dr. ***Durette continued to deceive*** *Gilead and this Court. . .It is overwhelmingly clear to the Court that Dr. Durette sought at every turn to create the* ***false impression*** *that Merck's conduct was above board.*

"Moreover, while perhaps a common and convenient post-fabrication excuse, a memory lapse does not explain Dr. Durette's confident and ***sanctimonious deposition testimony****, nor does it explain Dr. Durette's sudden moments of purported clarity at trial, when for example, he* ***magically recalled*** *meeting with a supervisor prior to attending the 2004 phone call with Pharmasset."*

The Court Appeared Displeased

*"In this case, **numerous unconscionable** acts lead the Court to conclude that the doctrine of unclean hands applies"*

Merck's misconduct includes

- Lying to Pharmasset
- Misusing Pharmasset's confidential information
- Breaching confidentiality and firewall agreements, and
- Lying under oath at deposition and trial

*"Any one of these acts—lying, unethical business conduct, or litigation misconduct— would be sufficient to invoke the doctrine of unclean hands; **but together**, these acts unmistakably constitute **egregious misconduct** that equals or exceeds the misconduct previously found by other courts to constitute unclean hands."*

Thank You

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