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IP CASE OF THE WEEK

CleanTech's "Dirty" Prosecution = Inequitable Conduct

GS Cleantech Corp. v. Adkins Energy LLC, 2020 WL 989523 (Fed. Cir. 2020)

By: Lisa Holubar and Chris Eggert | March 9, 2020

Cleantech Corp. ("CleanTech"), the owner of four patents directed to recovering oil from an ethanol plant's byproduct, began filing infringement actions against numerous defendants around the country beginning in 2009. After the disparate actions were combined by the multidistrict litigation panel, the defendants moved for summary judgment on invalidity of the asserted patents. The District Court found that three of the patents were invalid due to the on-sale bar, the invention being offered by contract to a potential client of CleanTech more than a year before the patent was filed. This also resulted in the invalidity of one of the independent claims of the fourth patent. Following this determination, the District Court held a bench trial on inequitable conduct, and concluded that CleanTech committed inequitable conduct by taking active steps to conceal the potential sale from their lawyers, and then later from the U.S. Patent and Trademark Office ("USPTO").

CleanTech appealed. On March 2, 2020, a Federal Circuit panel affirmed, holding that the District Court did not abuse its discretion in determining that the patents-in-Suit were unenforceable due to inequitable conduct, or in determining that the invention at issue had been offered for sale more than a year before the patent had been filed. Specifically, the plaintiff had sent a proposal in July of 2003 offering a company called Agri-Energy a "No-Risk trial [of the] 'Oil Recovery System" for 60 days, at which point Agri-Energy could "purchase the system" for $423,000. Plaintiff argued that the 2003 letter was for purpose of experimenting on its invention in actual conditions of use. The panel disagreed, quoting the District Court that "reduction to practice does not require a showing that the method would work acceptably in a plant environment, unless the claims require it, and the claims here do not." The Federal Circuit explained that District Court had not abused its discretion in evaluating contract principles to determine that the contemplated contract could be considered an offer to sell the patented invention. Further, the Federal Circuit found that the District Court was not clearly erroneous in finding that the invention was ready for patenting at the time of the proposed sale. As such, the Federal Circuit easily affirmed the District Court's determination that the concealment of material documents regarding the sale and the patentability of the invention at the time both from CleanTech's attorneys and the USPTO supported a finding of inequitable conduct.

In both the prosecution and litigation of patents, it is vitally important for attorneys and patentees to thoroughly and critically examine the material facts that may bear on the patents or inventions at issue. Indeed, both the Federal Circuit and the District Court at issue in this case admonished the lawyers representing CleanTech for not following up on clear "red flags" in the prosecution history of the patents at issue. Similarly, it is very important for patentees or inventors to understand the on-sale bar, as well as other conditions affecting the patentability of their inventions.