

Fed. Circ. Says Inventor Suing HTC Deceived Patent Office

By Ryan Davis

Law360, New York (October 10, 2013, 12:58 PM ET) -- The Federal Circuit on Wednesday affirmed a ruling that two wireless messaging patents that Intellect Wireless Inc. asserted against HTC Corp. were unenforceable due to inequitable conduct, finding the inventor had engaged in a "pattern of deceit" when seeking the patents.

The appeals court agreed with a lower court's 2012 finding that inventor Daniel Henderson had submitted an "unmistakably false" declaration to the U.S. Patent and Trademark Office when applying for the patents at issue, with an intent to mislead the examiner.

While Intellect had argued that Henderson had later submitted a revised declaration that corrected his earlier false statement, the Federal Circuit was not persuaded.

"The completely false statements in a first declaration were followed by a replacement declaration that, rather than expressly admitting the earlier falsity, dances around the truth," suggesting an intent to deceive that amounts to inequitable conduct, the court ruled.

Stephen Korniczky of Sheppard Mullin Richter & Hampton LLP, who represents HTC, praised the decision.

"We are very pleased with the Federal Circuit's ruling," he said. "This lawsuit has been ongoing for four years in the shadow of 17 other defendants who licensed Intellect Wireless's patent portfolio. The Federal Circuit's ruling vindicates HTC's decision to fight what it believed was a frivolous lawsuit."

Meredith Martin Addy of Steptoe & Johnson LLP, an attorney for Intellect, said that the heightened standard for proving inequitable conduct established by the Federal Circuit's 2011 ruling in *Therasense Inc. v. Becton Dickinson & Co.* should have prevented a finding of inequitable conduct in this case.

"Of course, we are disappointed with today's decision," she said. "The mistake was unintentional, corrected, and did not affect patentability. Therasense was intended to curb application of inequitable conduct in just such circumstances."

Intellect's patents cover caller-ID technology that allows a phone to display an image to identify callers. Intellect alleged that HTC's phones infringed the patent in a 2009 lawsuit that also named as defendants Research in Motion Ltd. and AT&T Mobility LLC, which later settled.

According to the Federal Circuit, Henderson told the examiner in 2007 that he had built a working version of his invention and demonstrated it at a 1993 meeting. He later conceded that that statement, which he made in an effort to overcome a prior art reference, was not true.

Three days later, Henderson submitted a revised declaration to the USPTO that he said made clear that he had not produced a working version in 1993, but which the Federal Circuit said "obfuscated the truth."

The revised declaration referred to a "product brochure" that implied the existence of a working device and said that Henderson had commercialized the product, neither of which were true, the appeals court said.

According to the opinion, when a patent applicant files a false declaration, the applicant must correct the record by clearly notifying the patent office of the misrepresentation, which Henderson failed to do.

"Nowhere did the [revised] declaration openly advise the [patent office] of Mr. Henderson's misrepresentations, as our precedent clearly requires," it said.

At oral arguments in August, Intellect's attorney argued Henderson's false statements were a mistake and that he had made honest attempts to correct the record, indicating he didn't intend to deceive the patent office.

The Federal Circuit, however, ruled that submitting fabricated statements about building a working version of the invention "raises a strong inference of intent to deceive."

"Further, Mr. Henderson engaged in a pattern of deceit, which makes the inference stronger," it said, noting that his revised declaration that purported to correct the record still referred to "a "prototype" that was never built, a "product brochure" even though there was no product and 'commercialization' that never occurred."

The Federal Circuit's Therasense ruling made it more difficult to prove inequitable conduct, but the Federal Circuit held that Henderson's conduct met the heightened standard set out by that ruling.

The patents-in-suit are U.S. Patent Numbers 7,266,186 and 7,310,416.

Judges Sharon Prost, Kimberly Moore and Kathleen O'Malley sat on the panel for the Federal Circuit.

Intellect is represented by Meredith Martin Addy and Amanda Streff of Steptoe & Johnson LLP and Raymond Niro and Paul Vickrey of Niro Haller & Niro Ltd.

HTC is represented by Stephen Korniczky, Martin Bader, Matthew Mueller and Graham Buccigross of Sheppard Mullin Richter & Hampton LLP and Nagendra Setty and George Kanabe of Orrick Herrington & Sutcliffe LLP.

The case is Intellect Wireless Inc. v. HTC Corp., case number 2012-1658, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Elizabeth Bowen.