

1st Media, LLC v. Electronic Arts, Inc. 694 F.3d 1367 (Fed. Cir. 2012)

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BACKGROUND

Defendant-Appellees are Electronic Arts, Inc., Harmonix Music Systems, Inc., Viacom Inc., and Sony Computer Entertainment America LLC (collectively “Appellees”). Plaintiff-Appellant 1st Media LLC (“1st Media”) is the assignee of patent No. 5,464,946 (the “’946 patent”). The ‘946 patent is for a “System and Apparatus for Interactive Multimedia Entertainment” and includes “an entertainment system for use in purchasing and sorting songs, videos, and multimedia karaoke information.” 1st Media alleged that the Appellees infringed their ‘946 patent on November 29, 2007, and filed a complaint in the United States District Court for the District of Nevada. The Appellees asserted a defense that the inventor of the ‘946 patent, Lewis, and his attorney, Sawyer (collectively “Patent Applicants”) had deliberately failed to disclose three prior citation references to the United States Patent and Trademark Office (“USPTO”), which constituted inequitable conduct.

At the bench trial, the Patent Applicants testified that they did not consciously hide the references introduced by the defendant on which inequitable conduct was alleged. One reference (the “Bush” reference) was mismanaged and should have been disclosed, but was not consciously withheld. The Patent Applicants claimed that the other two references (respectively, the “Baji” reference and the “Hoarty” reference) were presented in applications for patents that were entirely different from the ‘946 patent, and therefore, disclosing these references wasn’t necessary in the ‘946 patent.

The District Court was not convinced by the Patent Applicants’ explanations for their failure to disclose the references, finding that the Patent Applicants knew the references were material to the USPTO’s prosecution of the ‘946 patent. The court, in finding the Patent Applicants committed inequitable conduct with respect to the three citations, held the ‘946 patent unenforceable, and dismissed 1st Media’s infringement claim.

ISSUES

On appeal, the United States Court of Appeals for the Federal Circuit contemplated four issues in determining whether the Patent Applicants had

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committed inequitable conduct. The primary issue was whether knowledge of the materiality of a reference combined with the failure to disclose that reference meets the burden of establishing inequitable conduct. The court then considered three other issues. First, did 1st Media concede that the Appellees had met their burden of proof to prove inequitable conduct since 1st Media had moved to present their evidence first? Next, should the district court's decision not to credit the Patent Applicants' testimony be considered evidence of inequitable conduct in the trial at hand? Finally, should paying fees for issuance after receiving prior art references constitute a deliberate decision of withholding the references from the USPTO?

DECISION

The Federal Circuit reversed the District Court's decision, finding that 1st Media had not met its burden in establishing that Lewis and Sawyer, the Patent Applicants, had deliberately withheld prior art references during the prosecution of the '946 patent. The court further found that 1st Media's motion to present its proof first did not mean that 1st Media had conceded that the Appellees had met their burden to prove inequitable conduct. The Court also determined the fact that the district court did not give credit to Lewis and Sawyer's testimony could not be used as evidence in the determination of inequitable conduct, and finally that paying the issue fees even after receiving prior art references is not sufficient to establish that the Patent Applicants deliberately deceived the USPTO.

REASONING

The court began its analysis by first reiterating the standard set forth in *Therasense, Inc. v. Becton, Dickinson and Co.*¹ for proving inequitable conduct from failure to disclose. The court clarified that the defendant must show "that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it."² Knowledge of the existence of a prior art reference and knowledge of its materiality are not enough to show that a patentee deliberately failed to disclose the reference. The final element of deliberate decision-making must also be present. The court continued its analysis in clarifying that evidence of negligence or even gross negligence is not enough to show intent to deceive.

The court reasoned that if a showing of recklessness or carelessness in the handling of prior art constituted a deliberate decision to deceive the PTO, there would not be sufficient analysis to adequately combat speculative claims of inequitable conduct for non-disclosure. The court maintained that the third element of the *Therasense* test, a deliberate decision to not disclose, is necessary, and thus could not be bypassed or

1. *Therasense, Inc. v. Becton, Dickinson & Co.* 649 F.3d 1276 (Fed. Cir. 2011).

2. *Id.* at 1290

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substituted.

In the court's application of the standard to the prior art references, it found that the Appellees had not proven the Patent Applicants specifically intended to deceive the USPTO. In argument regarding the Bush reference, the court acknowledged that the Appellees presented evidence that showed that the Patent Applicants knew of the reference, and could have known of the Bush reference's materiality. However, there was no evidence of a deliberate decision to not send the Bush reference to the USPTO, and as such the Appellees had not met their burden of showing the Patent Applicants' intent to deceive. Similarly, with regard to the Baji and Hoarty references, the court found that the Patent Applicants' failure to disclose the references was not proven to be an intentional withholding. The Appellees had proven that the Patent Applicants had known of the references, that they could have known the references were material to the '946 patent, and that the Patent Applicants failed to disclose the references to the USPTO. However, this evidence was insufficient to prove intent to deceive the USPTO without proving that the references were deliberately withheld from the USPTO.