



THINK FORWARD

PTO Adopting But-For Materiality in Proposed Revision of Duty to Disclose Rules

By [Allen Baum](#)

November 09, 2016

On October 28, 2016, the United States Patent and Trademark Office (“PTO”) again proposed revisions to the materiality standard for the duty to disclose information in patent applications and reexamination proceedings. *Revision of the Duty to Disclose Information in Patent Applications and Reexamination Proceedings*, 81 Fed. Reg. 74,987 (proposed Oct. 28, 2016) (to be codified at 37 C.F.R. pt. 1) (hereinafter *2016 Proposed Revisions*). The PTO sought to “harmonize the materiality standard for the duty of disclosure before the [PTO] with the but-for materiality standard for establishing inequitable conduct before the courts in light of the Federal Circuit’s decision in *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (*en banc*).” *Id.* at 74988.

The PTO had previously proposed revisions to a similar effect on July 21, 2011 and received 24 written public comments. See *Revision of the Materiality to Patentability Standard for the Duty to Disclose Information in Patent Applications*, 76 Fed. Reg. 43,631 (proposed July 21, 2011) (hereinafter *2011 Proposed Revisions*). However, the passage of time and the intervening implementation of the America Invents Act prompted the PTO to solicit further comments on the subject. See *2016 Proposed Revisions* at 74,988.

In *Therasense*, the Federal Circuit held that “the materiality required to establish inequitable conduct is but-for materiality.” *Therasense*, 649 F.3d at 1291. The Federal Circuit clarified that “[w]hen an applicant fails to disclose prior art to the PTO, that prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art.” *Id.* “[I]n assessing . . . whether the PTO would have allowed the claim if it had been aware of the undisclosed reference[,] . . . the court should apply the preponderance of the evidence standard and give claims their broadest reasonable construction.” *Id.* at 1291–92. In addition, to deal with “‘deliberately planned and carefully executed schemes’ to defraud the PTO and the courts,” the Federal Circuit recognized an “affirmative egregious misconduct” exception to the general rule of requiring but-for materiality. *Id.* at 1292.

Although *Therasense* does not require the PTO to revise its materiality standard, the PTO saw important reasons to do so. *2016 Proposed Revisions* at 74,989. The PTO expected that the adoption of the but-for materiality standard in *Therasense* would reduce the number of inequitable conduct charges in front of the PTO and “reduce the incentive to submit marginally relevant information in information disclosure statements.” *Id.* The PTO “also expect[ed] this currently proposed rule would continue to encourage applicants to comply with their duty of candor and good faith.” *Id.* In particular, the PTO differentiated a *pure* but-for standard it rejected in 1992 from the currently proposed rule which includes the affirmative egregious misconduct exception. See *id.*

Specifically, the PTO now proposes to revise 37 C.F.R. § 1.56 to read as follows (with proposed revisions underlined):

§ 1.56 Duty to disclose information material to patentability.

(a) . . . Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability under the but-for materiality standard as defined in paragraph (b) of this section. . . . However, no patent will be granted on an application in connection with which affirmative egregious misconduct was engaged in, fraud on the Office was practiced or attempted, or the duty of disclosure was violated through bad faith or intentional misconduct. . . .

(b) Information is but-for material to patentability if the Office would not allow a claim if the Office were aware of the information, applying the preponderance of the evidence standard and giving the claim its broadest reasonable construction consistent with the specification.

The PTO also proposes to revise 37 C.F.R. § 1.555 to read as follows (with proposed revisions underlined):

§ 1.555 Information material to patentability in *ex parte* reexamination and *inter partes* reexamination proceedings.

(a) . . . Each individual associated with the patent owner in a reexamination proceeding has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability in a reexamination proceeding under the but-for materiality standard as defined in paragraph (b) of this section. . . . However, the duties of candor, good faith, and disclosure have not been complied with if affirmative egregious misconduct was engaged in, any fraud on the Office was practiced or attempted, or the duty of disclosure was violated through bad faith or intentional misconduct by, or on behalf of, the patent owner in the reexamination proceeding. . . .

(b) Information is but-for material to patentability if, for any matter proper for consideration in reexamination, the Office would not find a claim patentable if the Office were aware of the information, applying the preponderance of the evidence standard and giving the claim its broadest reasonable construction consistent with the specification.

Note that 37 C.F.R. § 1.933, which is also directed to the duty of disclosure in *inter partes* reexamination proceedings, has not been amended herein because the statement as to materiality of information in § 1.933 incorporates § 1.555.

These revisions differ from the PTO's 2011 *Proposed Revisions* in several aspects:

First, in response to public comments raising potential confusion issues, the PTO moved the language regarding affirmative egregious misconduct from the definition of the materiality standard to § 1.56(a) and § 1.555(a). 2016 *Proposed Revisions* at 74,991; see also 2011 *Proposed Revisions* at 43,634.

Second, the currently proposed rule no longer explicitly refers to the *Therasense* decision in view of the public comments received. *Id.* at 74,989. However, the PTO did not intend to de-link the proposed rules with the *Therasense* decision despite this language change. Indeed, the PTO stated that “an explicit reference to the *Therasense* decision is not necessary to link the materiality standard for the duty of disclosure to the but-for materiality standard for inequitable conduct set forth in *Therasense*.” *Id.* at 74,990. From the PTO's perspective, “the materiality standard for the duty of disclosure in this currently proposed rule is *the same as the but-for materiality standard set forth in Therasense and its interpretations and applications.*” *Id.* at 74,989 (emphasis added). The PTO also relied on “*Therasense* and subsequent cases, as well as the lengthy jurisprudence of the unclean hands doctrine . . . [for] guidance as to the boundaries of affirmative egregious misconduct.” *Id.* at 74,992. The PTO favored this approach because it “provid[es] a consistent materiality standard without the need for continuous revisions to the rules as the *Therasense* standard is interpreted or applied.” *Id.* at 74,989. The PTO

promised to reconsider the rules “[i]n the event the Supreme Court, or Federal Circuit acting *en banc*, [chose] to revise the but-for materiality standard in *Therasense*,” and to “keep the public informed of its understanding of how the Federal Circuit interprets the standard through future revisions to the Manual of Patent Examining Procedure (MPEP).” *Id.*

Third, unlike the existing rule and the *2011 Proposed Revisions*, § 1.555(b) as proposed does not limit the types of information that could be considered in a reexamination proceeding to patents and printed publications. *Id.* at 74,990. Rather, “the currently proposed rule encompasses disclosure of information as to any matter that is proper for consideration in a reexamination proceeding (e.g., admissions by patent owner).” *Id.*

Fourth, the PTO took a step back from its previous proposal considering incentivizing applicants “to assist the [PTO] by explaining/clarifying the relationship of prior art to the claimed invention.” *2011 Proposed Revisions* at 43,632. Several public comments argued that “the [PTO] should not require applicants to explain or clarify the relationship of the prior art to the claimed invention,” and that “if the [PTO] requires such an explanation, applicants should be given a safe harbor” *2016 Proposed Revisions* at 74,993. In response, the currently proposed rulemaking no longer includes the contemplated required explanation from the previous notice of proposed rulemaking. *Id.*

Finally, the PTO fixed an unintended omission by modifying the previously proposed rule language to state that a claim is given its broadest reasonable construction “consistent with the specification.” *Id.* at 74,990.

Although no public hearing will be held, the PTO is accepting public comments on the proposed rulemaking until December 27, 2016.

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