

Fed. Circ. Says Inequitable Conduct Voids IP In Ethanol MDL

By **Dani Kass**

Law360 (March 2, 2020, 8:19 PM EST) -- The Federal Circuit on Monday upheld the invalidation of four CleanTech patents asserted in multidistrict infringement litigation, supporting an Indiana federal court's findings that CleanTech and its Cantor Colburn attorneys withheld information from the U.S. Patent and Trademark Office and threatened another company.

The panel's precedential decision affirmed that the inventions were on sale for too long before being patented, and that GS CleanTech Corp. and Cantor Colburn LLP engaged in inequitable conduct to hide that concern.

"The district court did not abuse its discretion in concluding that CleanTech and its lawyers made a deliberate decision to withhold material information with the specific intent to deceive the USPTO," the opinion said.

CleanTech had launched a series of suits between 2009 and 2014 accusing companies of infringing four patents covering the "recovery of oil from a dry mill ethanol plant's byproduct, called thin stillage." The Judicial Panel on Multidistrict Litigation centralized that litigation in Indianapolis.

On summary judgment, since-deceased U.S. District Judge Larry J. McKinney found that the patents hadn't been infringed, and that certain claims were invalid due to anticipation, obviousness, incorrect inventorship, inadequate written description, lack of enablement and indefiniteness — but most importantly: the on-sale bar, the Federal Circuit said.

That bar blocks patents from being issued if the invention was on sale or in public use and "ready for patenting" more than a year before the patent filing. CleanTech had offered to install its system at another company called Agri-Energy in 2003, before filing for a patent in 2004.

Judge McKinney held that the proposal wasn't an offer to test the eventually patented invention, as CleanTech argued, but rather a proposed commercial contract. Citing the bar, he invalidated all claims of three patents and an independent claim of the fourth.

The judge then held a bench trial on inequitable conduct, where he found that the inventors withheld information about their Agri-Energy relationship from their counsel and the USPTO to beat the on-sale bar, and the Cantor Colburn attorneys prosecuting the patents "either 'purpose[fully] eva[ded]'" disclosing or failed to seek out relevant information and so participated in the inequitable conduct" and

"ignored the red flags [waving] before them."

There's proof that the inventors were aware of the on-sale bar and that Cantor Colburn withheld information about 2003 testing, which justifies the lower court's ruling, the Federal Circuit said Monday.

There's also sufficient proof that the inventors threatened Agri-Energy, the panel said. This included offering royalty-free licenses and liability releases to get the company to make Agri-Energy admit the patents were valid, the opinion said.

The appeals court did not address the other invalidity findings given the inequitable conduct ruling.

Cantor Colburn managing partners Michael A. Cantor and Philmore H. Colburn II said in a statement that they're "very disappointed."

"The case involved a complex product development and factual background that we do not feel was fully reflected by the decisions," the partners said. "We believed in our client and believe our attorneys acted appropriately and in good faith throughout the patent prosecution and litigation processes."

Counsel for CleanTech declined to comment.

"The Federal Circuit's decision today confirms what we have known for a long time, namely that these patents were fraudulently obtained and improperly asserted," Keith D. Parr of Locke Lord LLP said on behalf of defendant Adkins Energy LLC.

J. Donald Best of Michael Best & Friedrich LLP, who represented defendants Bushmills Ethanol Inc., Chippewa Valley Ethanol Co. LLP, Heartland Corn Products and United Wisconsin Grain Producers LLC, said "this decision is a complete vindication of my clients' position over the many years of litigation. The inequitable conduct in this case was clear and carried the day."

Marc A. Al of Stoel Rives LLP, representing Al-Corn Clean Fuel LLC, said his client is "very pleased that justice has now again been served."

"Al-Corn Clean Fuel LLC, and numerous ethanol plants in the United States have been held hostage by GS CleanTech for almost 10 years," Al said. "The Federal Circuit's strong endorsement of the late Judge McKinney's decisions are a long-awaited confirmation of an inevitable conclusion that GS CleanTech, [the inventors], and attorneys at the Cantor Colburn law firm engaged in inequitable conduct in obtaining the patents-in-suit, and that those patents should have never seen the light of day."

John Weyrauch of Dicke Billig & Czaja PLLC, representing ICM Inc., said the company "has endured this battle for a decade on behalf of its related defendants and the ethanol industry and it is pleased and gracious that truth and justice prevailed in the [Federal Circuit's] decision."

Michael F. Buchanan of Patterson Belknap Webb & Tyler LLP, who represents defendant GEA, said "this litigation has been a blight on the ethanol industry for over a decade."

"GEA and the joint defense group has expended tens of millions of dollars fighting patents that should not have issued in the first place," Buchanan said. "We are grateful for the Federal Circuit's well-reasoned decision and pleased that it vindicated the rights of GEA and its customers."

Counsel for the remaining defendants did not immediately respond to requests for comment Monday.

U.S. Circuit Judges Jimmie V. Reyna, Evan Wallach and Todd M. Hughes sat on the panel for the Federal Circuit.

The patents-in-suit are U.S. Patent Nos. 7,601,858; 8,008,516; 8,008,517; and 8,283,484.

CleanTech is represented by Steven B. Pokotilow and Binni N. Shah of Stroock & Stroock & Lavan LLP.

The various defendants are represented by attorneys from Dicke Billig & Czaja PLLC; Patterson Belknap Webb & Tyler LLP; Locke Lord LLP; Woodard Emhardt Henry Reeves & Wagner LLP; McKee Voorhees & Sease PLC; Michael Best & Friedrich LLP; Stoel Rives LLP; Stinson LLP; and Brown Winick Graves Gross Baskerville & Schoenebaum PLC.

The case is GS CleanTech Corp. v. Adkins Energy LLC, case number 16-2231, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Abbie Sarfo.