

FRAUD AND ENFORCEABILITY: POTENTIAL IMPLICATIONS FOR FEDERAL CIRCUIT LITIGATION

Should fraudulent litigation tactics and testimony affect the validity of underlying patents? What results are possible if the enforceability of a patent turns on the conduct of the applying party not only before the Patent and Trademark Office, but also before circuit courts? The author of the following article considers these questions in light of the recent Aptix Corp. case.

Introduction

To lie in court seems a poor choice. Morality aside, sanctions range in severity, including being barred from using the justice system altogether. Thus, when Dr. Amr Mohsen was caught submitting false testimony to the district court regarding his patent, the district court responded in seemingly appropriate fashion and barred Dr. Mohsen from ever using the justice system to enforce his “tainted” patent. However, the Federal Circuit reined in the district court, and said that Dr. Mohsen’s false testimony may not necessarily bar him from enforcing his patent in the future. Apparently all lies are not equal and instead depend on the context of the situation.

Factual Background

In September 1989, Dr. Mohsen filed a patent application for his “field programmable” circuit boards invention.. These circuit boards are desirable because they allow computer programmers to custom configure the electronic components on an integrated circuit, without going through the tedious design and fabrication process normally required to produce a custom printed circuit board.. In 1996, United States Patent No. 5,544,069 (“069 patent”) was issued to Dr. Mohsen and assigned to Aptix Corp. (“Aptix”), a company founded and headed by Dr. Mohsen.. Aptix licensed the patent to Meta Systems, Inc. (“Meta”) who, along with Aptix

See Aptix Corp. v. Quickturn Design Systems, Inc., 2001 U.S. App. LEXIS 24047, *2-*3 (Fed. Cir. 2001) (Mayer, C.J., dissenting). “Aptix I”.

See U.S. Pat. No. 5,544,069, *Background of the Invention*.

See id.

brought a patent infringement suit against Quickturn Design Systems, Inc. (“Quickturn”)... It was during the course of this litigation that the true story behind the 069 patent surfaced.

As a preliminary part of the discovery process, Aptix was required to identify an invention date for every claim in the 069 patent that Quickturn was allegedly infringing.. On the basis of material from two of Dr. Mohsen’s engineering notebooks that allegedly chronicled the design of the invention, Aptix listed July 31, 1988 as the date of conception for the asserted claims.. The first notebook (“1988 Notebook”) allegedly covers notes written between July 30, 1988 and June 25, 1989, and the second notebook (“1989 Notebook”), allegedly covers notes from July 1989 onward.. The 1988 Notebook is the only evidence that corroborates the asserted conception date of July 31, 1988..

However, as the discovery process continued, questions surfaced regarding the authenticity of the notebooks, beginning shortly after Aptix provided Quickturn with copies of seventeen pages from the 1989 Notebook (“Initial Copy”).. As a part of the investigation into the file history of the 069 patent, Dr. Mohsen’s patent counsel (separate from litigation counsel) provided Quickturn with photocopies of the 1989 Notebook that they made in August of 1989 (“Copy of Original”).. When Quickturn compared the two copies of the 1989 Notebook, they noticed large discrepancies between the corresponding pages of the two notebooks, with the Initial Copy of the 1989 Notebook containing extensive texts and diagrams not found in the Copy of Original.. Interestingly, Dr. Mohsen’s patent counsel did not produce any photocopies of the 1988 Notebook, nor was there any indication that they were aware of its existence..

See Aptix I, 2001 U.S. App. LEXIS at *3.

See id.; See N.D. Cal. Civ. L.R. 16-7(b)(3) (1998).

See Aptix I, 2001 U.S. App. LEXIS at *3-*4.

See Aptix Corp. v. Quickturn Design Systems, Inc., 2000 U.S. Dist. LEXIS 8408, *33 -*34 (N.D. Cal. 2000), part. rev’d 2001 U.S. App. LEXIS 24047 (Fed. Cir. 2001) “Aptix II”.

See id. at *8-*9.

See Aptix I, 2001 U.S. App. LEXIS at *3.

See id. at *4.

See id.

See Aptix II, 2000 U.S. Dist. LEXIS at *32-*33.

Perplexed by these discrepancies, Quickturn requested, and was allowed by Dr. Mohsen to make, its own photocopy of the 1989 Notebook (“Later Copy”). Far from providing answers, this new copy created more questions, for a comparison of the Initial Copy and the Later Copy of the 1989 Notebook showed that they also were not identical copies, but instead contained numerous small imperfections that strongly suggested that the Later Copy was an attempted tracing of the Initial Copy of the 1989 Notebook. When confronted with this evidence, Dr. Mohsen admitted that the Initial Copy of 1989 Notebook was not an accurate reflection of the corresponding pages of the 1989 Notebook. However, he tried to justify the additions on grounds that the 1989 Notebook was an “interactive” document and that the additions were only “non-inventive” clarifications. The district court rejected all these arguments, finding that Dr. Mohsen (1) photocopied pages from the Original 1989 Notebook, (2) added text and diagrams to those photocopies, (3) submitted those altered photocopies to Quickturn as the Initial Copy to the 1989 Notebook, and (4) handcopied the altered photocopies into the Original 1989 Notebook, which resulted in the Later Copy of the 1989 Notebook.

Infuriated by what was apparently a coordinated attempt by Dr. Mohsen to submit fraudulent evidence, Quickturn requested that the original 1988 and 1989 Notebooks be subject to forensic testing. However, shortly before the district court was scheduled to rule on the motion to compel testing of the notebooks, Dr. Mohsen reported that someone had broken his rear window and stolen the original notebooks from the backseat of his car.

See id. at *10.

See Aptix I, 2001 U.S. App. LEXIS at *4-*5. Among the imperfections were (1) similar, but clearly different size lettering and stroke marks on corresponding pages of the notebooks, (2) material that only appeared in the Initial Copy of the 1989 Notebook, and (3) forensic evidence that showed that a copy of the notebook had been placed under the corresponding pages of the 1989 Notebook and traced over to add material to the original 1989 Notebook.

See Aptix II, 2000 U.S. Dist. LEXIS at *18.

See id. at *20.

See id. at *21-*25.

See Aptix I, 2001 U.S. App. LEXIS at *5-*6.

See Aptix II, 2000 U.S. Dist. LEXIS at *38-*39.

Due to the disappearance of the original notebooks, Aptix requested that the copy of the 1988 Notebook be allowed in as evidence in lieu of the originals.. To corroborate his story and vouch for the authenticity of the 1988 Notebook, Dr. Mohsen submitted entries from his 1989 Daytimer allegedly documenting that he had shown the 1988 Notebook to his brother, Aly Mohsen.. Unfortunately for Dr. Mohsen, the district court refused to recognize the authenticity of the entries, primarily relying on evidence from a forensics expert who testified that the ink used to write the alleged 1989 entries was not manufactured until 1994..

Due to the “convenient” disappearance of the original notebooks before forensic testing could commence, the district court scheduled a hearing to determine whether Dr. Mohsen had purposely destroyed the notebooks.. Shortly before the hearing, however, Dr. Mohsen purportedly received a priority mail package containing fragments of the missing notebooks from an anonymous mailer “FL.”” Far from removing suspicion from Dr. Mohsen, the reappearance of the notebooks cast more doubt on Aptix’s case.. While the package allegedly contained an invoice with Dr. Mohsen’s address that presumably was how “FL” knew where to address the envelope, the zip code on the invoice was incorrect, while the zip code on the priority mail

See id. at *41.

See id. Other corroborating evidence Dr. Mohsen submitted were (1) alleged photocopies of the 1988 Notebook made by Aly Mohsen and (2) loose notes with 1988 dates relating to the 069 patent that Dr. Mohsen allegedly found in his garage.

See Aptix I, 2001 U.S. App. LEXIS at *6. Other evidence cited by the district court to support its conclusion were that (1) “out of more than 800 entries in the Daytimer, these three entries are the only entries in the entire Daytimer that explain with specificity a reason for any trip or meeting or other entry,” and (2) one of the entries, now written as “Eng. Patent Notebook,” originally looked like it read “Eng. Patent Notebooks,” even though at the time of the entry, only one notebook existed.

See id. Besides the obviously suspicious timing of the disappearance of the notebooks, the district court was additionally skeptical because (1) shortly after the alleged date of disappearance, Dr. Mohsen saw his brother at a family religious gathering, but did not mention the disappearance of the notebooks until several weeks later, (2) Dr. Mohsen insisted on keeping the original notebooks, despite the fact that Aptix’s lawyers repeatedly requested that they be given possession of the notebooks for safekeeping, and that (3) Dr. Mohsen’s car windows were tinted, making it difficult to see inside the car without a flashlight.

See id. at *6-*7.

See Aptix II, 2000 U.S. Dist. LEXIS at *81.

package was accurate.. The district court found that “it seems plain that Amr Mohsen addressed the envelope, or instructed someone else to address it, and simply slipped up in using the correct zip code.”

Based upon of all of this evidence, the district court felt compelled to rule that the 1988 Notebook was a “complete fraud from bark to core, a notebook without a single genuine entry.” Among the facts the district court used to support such a finding were that Dr. Mohsen failed to mention the existence of the 1988 Notebook to anyone at any time prior to the commencement of the litigation, and that the 1988 Notebook contained numerous features that cast serious doubt as to its authenticity, chief among them a plethora of dates first written as “ 1998” and then overwritten to read “1988.””

Given all these findings, the district court asked Dr. Mohsen for an explanation, to which Dr. Mohsen took the stand and asserted his Fifth Amendment privilege, despite the fact that he had effectively waived his privilege when he chose to give over one thousand pages of deposition testimony.. Drawing adverse inferences from this as well as all the other evidence submitted in the case, the district court found that Aptix had attempted to “defraud the Court” and “strengthen

See Aptix I, 2001 U.S. App. LEXIS at *7.

See id.

See id. at *8.

See Aptix II, 2000 U.S. Dist. LEXIS at *32-*34. Neither Dr. Mohsen’s patent counsel, any of Aptix’s employees, nor any employees at his previous company knew of the existence of the 1988 Notebook prior to the commencement of this litigation.

See Aptix I, 2001 U.S. App. LEXIS at *7-*8. Other evidence that the district court cited in support of its finding were that (1) all of Aly Mohsen’s “witness” signatures (a total of six dated on either August 14, 1988 or September 5, 1988), were made using the same pen, (2) at least four pages were written in two different inks, suggesting the text on these pages were written on at least two different dates, (3) an obverse/reverse intersection examination revealed that a page dated August 7, 1988 was written before a page dated July 31, 1988, and that a page had been “witnessed” by Aly Mohsen before any material had been written on it, (4) Aly Mohsen’s signature, accompanied by the phrase “Read and understood,” was written on pages with no material, (5) there were many references to “customers” and “experts,” but none were referred to by name, and (6) the 1989 Notebook had no cross-references to the 1988 Notebook, despite the fact that the subject matter is the same, and the 1989 Notebook began just two weeks after the 1988 Notebook ended.

See Aptix II, 2000 U.S. Dist. LEXIS at *64-*65.

its patent through a premeditated and sustained campaign of lies and forgery.’” Thus, due to Dr. Mohsen’s litigation misconduct, the district court dismissed the lawsuit against Quickturn, ordered Aptix and Meta to pay Quickturn’s attorney’s fees, and ruled that the 069 patent was unenforceable..”

The Federal Circuit’s Decision

On appeal, the Federal Circuit affirmed the district court’s dismissal of the case, as well as it’s award of attorney’s fees.. Surprisingly however, it reversed the district court’s ruling that the 069 patent was unenforceable, holding that “[l]itigation misconduct, while serving as a basis to dismiss the wrongful litigant, does not infect, or even affect, the original grant of the property right.”” In reversing the district court, the Federal Circuit drew a critical distinction between the doctrine of unclean hands and the doctrine of inequitable conduct.. In explaining the former, the Federal Circuit held that litigation misconduct only allowed the court to invoke the doctrine of unclean hands, which bars the offending party from continuing to litigate the case in which the misconduct was carried out.. In contrast, where a party has engaged in misconduct or fraud before the Patent and Trademark Office (“PTO”) in procuring the patent itself, a court could invoke the doctrine of inequitable conduct and render the patent unenforceable by any party.. In supporting its ruling, the Federal Circuit seemed to give great weight to the fact that neither the Supreme Court nor the Federal Circuit had ever declared a patent unenforceable due to litigation misbehavior.. Secondly, according to the Federal Circuit, finding the patent to be unenforceable would unfairly injure innocent licensees such as Meta..

See Aptix I, 2001 U.S. App. LEXIS at *8.

See id. at *8-*9.

See id. at *23.

See id. at *13.

See id. at *15-*16.

See id. at *16.

See id. at *20.

See id. at *13.

See id. at *20.

Judge Mayer vigorously dissented from the panel's ruling, writing that a fraud on the court is at least as egregious as a fraud on the PTO, and that the court should have a comparable remedy to declare the patent unenforceable.. He wrote that "[t]here is no limit inherent in the doctrine of unclean hands that prevents declaring a patent unenforceable based on the post-issuance conduct of the party seeking relief," and that the district court should be given the discretion to fashion the remedies it felt was necessary and appropriate to protect the integrity of the judicial proceedings.. Judge Mayer noted that this case provided a prime example of why a court should be able to declare a patent unenforceable for litigation misconduct, as the attempted deception has tainted the patent itself, permanently blotching the authenticity of the engineering notebooks, and hence the alleged inventions.. Moreover, Judge Mayer wrote that licensees such as Meta would not be victimized by making the patent unenforceable because (1) they could file a suit against Aptix for breach of contract; and (2) even if they could not recover for breach of contract, every licensee knows that if a patent is litigated, there is a risk that the patent will be held invalid..

Implications of Aptix v. Quickturn

By drawing a line between the doctrine of unclean hands and the doctrine of inequitable conduct, the Federal Circuit may have unwittingly opened a can of worms. Although doctrinally correct in asserting that a fraud on the PTO and on the court are two different animals, Judge Mayer's argument that "a fraud is a fraud" is compelling, especially under the facts at hand..

By not declaring the patent unenforceable, the Federal Circuit has essentially allowed Aptix to sue Quickturn at a later date with virtually no consequences. Although it would presumably be precluded from relying on any of the evidence declared "fraudulent" by the district court, should Dr. Mohsen uncover some "new" corroborative evidence or somehow persuade the

See id. at *25.

See id. at *26.

See id. at *31.

See id. at *33.

See id. at *34-*35.

See id. at *25.

future court that the district court erred in its analysis of one or more pieces of evidence, the taint of his previous conduct before the district court would essentially have been wiped away. Perhaps this is the correct ruling, for the PTO did see fit to award Dr. Mohsen the 069 patent, and assuming he can now present “legitimate” evidence, he should be allowed to profit from his ingenuity. However, in declaring the patents unenforceable, the district court, in its discretion, presumably made the implicit determination that Dr. Mohsen was not capable of cleaning up his act, and that the only way to protect the integrity of the judicial system was to bar Dr. Mohsen from enforcing his patent in the future. As the district court stated, “when a patent holder fraudulently seeks to strengthen a patent-in-suit through the manufacture of counterfeit evidence and is caught red-handed, the wrongdoer has no right to simply abandon the false evidence and to promise to be honest going forward.””

The implications of this case are disturbing. Although one would hope that the integrity and morality of both litigants and attorneys would dissuade either from knowingly bringing such false evidence before a court, such a hope seems optimistic at best. In the high stakes world of patent litigation, it is not a stretch to say that some parties, like Dr. Mohsen, are willing to go to any length to prevail. By divorcing litigation misconduct from misconduct before the PTO, the Federal Circuit has removed a big deterrent to patent owners submitting to the court false evidence that they had not submitted to the PTO, but that could nevertheless strengthen the patent owner’s validity claim.. By limiting any sanctions to the proceedings at hand, it allows a patent owner like Dr. Mohsen to submit false evidence and take the risk of getting caught, for even if he is caught, he knows he can wipe the slate clean and file a subsequent suit. Although that also is not a completely undesirable outcome assuming the Dr. Mohsen’s of the world would clean up their acts, one must wonder whether this is a realistic expectation for a party who chose to defraud the judicial system in the first place.

Finally, and perhaps most importantly, the practical concern, expressed by district court, is that these frauds are difficult to detect in the first place, and that if the fraud were to go undetected, the determination of validity could be used as significant leverage in future

See Aptix II, 2000 U.S. Dist. LEXIS at *89-*90.

See Aptix I, 2001 U.S. App. LEXIS at *32.

See Aptix II, 2001 U.S. Dist. LEXIS at *90.

transactions.. In such a context, the only truly effective deterrent would be to render the patent unenforceable, for even an unscrupulous patent owner would think harder about submitting false evidence where a finding of litigation misconduct could effectively render the patent worthless.

Conclusion

This case comes down to a decision whether misconduct before the PTO is comparatively worse than misconduct before the court. The Federal Circuit has answered in the affirmative on the completely defensible grounds that a fraud before the PTO taints the property grant itself, while a fraud before court only taints the party.. However, in doing so, the Federal Circuit has opened the door for litigants to make bolder (and perhaps more questionable) litigation moves with the ultimate sanction for such misconduct being dismissal of the suit. While this is, of course, an undesirable outcome for the patent asserting party, it is preferable to a finding of unenforceability. Ultimately, one must wonder whether it was wise for the Federal Circuit to remove the unenforceability arrow from the quiver of inherent sanctions available to the court to protect the integrity of the judicial system, especially given that a finding of unenforceability would undoubtedly have been used only in the most egregious cases of litigation misconduct before the court, and would have been reviewable by a higher court for abuse of discretion. That having been said, the Federal Circuit has spoken. Thus, one can only hope that district courts will be vigilant in ferreting out instances of fraud by unscrupulous litigants, and that threats of dismissal and costs imposed are sufficient to deter some of the future would-be-fraudulent litigants. However, such a hope seems aspirational at best, for despite the seemingly overwhelming amount of evidence in the Aptix decision, had Dr. Mohsen been a bit more careful in creating his evidence, there is a very real chance that he could have successfully duped the judicial system.

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See Aptix I, 2001 U.S. App. LEXIS at *32.

See id. at *16.