ENERGY HEATING, LLC v. HEAT ON-THE-FLY, LLC, Appeal No. 2016-1559, 2016-1893, 2016-1894 (Fed. Cir. May 8, 2018). Before Moore, Hughes, and Stoll. Appealed from D.N.D. (Judge Erickson).

Background:

Heat On-The-Fly (HOTF) owns a patent directed to heating water on demand during a hydraulic fracking process and sued its rival, Energy Heating, for infringement of the patent. Energy Heating raised an inequitable conduct defense alleging that HOTF failed to disclose material information to the Patent Office. The founder of HOTF and the sole inventor of the patent, Mark Hefley, filed a provisional application on September 18, 2009. But, more than a year before filing the provisional application, Hefly and his company had provided services on at least 61 fracking jobs using the claimed method and collected over $1.8 million for those services. It was undisputed that Hefly's business partner had discussed the on-sale bar requirements with Hefly. Nonetheless, Hefly and his prosecution attorney did not disclose any of the 61 fracking jobs during prosecution of the patent. The district court held that the 61 fracking jobs performed before the critical date of the patent were material to patentability, and that Hefly knew of the materiality of the 61 fracking jobs but made a deliberate decision to withhold this information from the Patent Office. Thus, the district court held that the patent was unenforceable due to inequitable conduct. HOTF appealed.

Issue/Holding:

Did the district court err in finding inequitable conduct on the part of Hefly? No, affirmed.

Discussion:

On appeal, Hefly argued that the 61 fracking jobs were *bona fide* experiments because those jobs were done primarily to test the methods to achieve the goal of heating water at the same rate that the water is being pumped downhole. A *bona fide* experiment, which is an exception to the on-sale bar, is an experiment that is performed to test the claimed features or determine if the invention would work for its intended purpose. However, in view of the revenue generated by the 61 fracking jobs, and in view of the fact that the purported goal of the experiment is not recited in the claim, the Federal Circuit determined that the 61 fracking jobs were performed not to test the claimed methods, but primarily to make money. Thus, the Federal Circuit found that the 61 fracking jobs were not *bona fide* experiments as alleged by Hefly.

Hefly further argued that he did not know about the materiality of the 61 fracking jobs with respect to patentability. During the district court trial, Hefly attempted to introduce the testimony of his prosecution attorney, who would have testified that Hefly told him about the 61 fracking jobs, but he decided that the 61 fracking jobs were all experimental uses that need not be disclosed to the Patent Office. But, the district court did not permit the prosecution attorney to testify at trial because Hefly had previously asserted attorney-client privilege and did not make the prosecution attorney available for deposition or examination. Noting that the attorney-client privilege cannot be used as both a sword and a shield, the Federal Circuit held that the district court did not abuse its discretion in excluding the testimony of the prosecution attorney because Hefly's last minute attempt to waive the attorney-client privilege so close to trial was untimely. Thus, the Federal Circuit found that Hefly knew about the materiality of the 61 fracking jobs with respect to patentability and affirmed the district court's finding of inequitable conduct.