

THE JOHN MARSHALL REVIEW OF INTELLECTUAL PROPERTY LAW



DEFUSING THE “ATOMIC BOMB” OF PATENT LITIGATION: AVOIDING AND
DEFENDING AGAINST ALLEGATIONS OF INEQUITABLE CONDUCT AFTER
MCKESSON ET AL.

SEAN M. O’CONNOR

ABSTRACT

The doctrine of inequitable conduct in patent law has a long and vexing history. While it is sometimes mistakenly conflated with the United States Patent and Trademark Office’s Rule 56, the doctrine is actually a purely equitable one established by the Supreme Court in 1945—and not revisited by it since then. This Article re-establishes the roots and proper context of the doctrine, while tracing its confused interactions with Rule 56 over the ensuing decades. The Article reaffirms the necessary balancing act between over and under disclosure of references during patent prosecution, and the inverse sliding scale relationship of materiality and intent to deceive for courts’ invocation of the doctrine as a patent litigation defense rendering the patent unenforceable. It concludes by proposing a “damages-at-law only” litigation tactic by patent owners to preclude the use of the doctrine by defendants.

Copyright © 2009 The John Marshall Law School; Sean M. O’Connor



*Cite as Sean M. O’Connor, Defusing the “Atomic Bomb” of Patent
Litigation: Avoiding and Defending Against Allegations of Inequitable
Conduct After McKesson Et Al., 9 J. MARSHALL REV. INTELL. PROP. L.
330 (2009).*

DEFUSING THE “ATOMIC BOMB” OF PATENT LITIGATION: AVOIDING AND
DEFENDING AGAINST ALLEGATIONS OF INEQUITABLE CONDUCT AFTER
MCKESSON ET AL.

SEAN M. O’CONNOR *

INTRODUCTION

The doctrine of inequitable conduct as a defense to patent infringement has a long and vexing history. Many practitioners and commentators thought it had been brought under control by the *en banc* statement of the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) appended to the 1988 panel decision in *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*¹ Additionally, further amendments by the United States Patent and Trademark Office (“USPTO”) to both Rule 56 and the Information Disclosure Statement (“IDS”) Rules since then seemed to bring some certainty and clarity to how patent applicants and their attorneys could meet their duties of candor and good faith to the USPTO—and hence defend against allegations of inequitable conduct by later patent infringement defendants.² However, a set of cases in the mid 2000s brought all of this into question.³ In particular, practitioners are now contemplating submitting everything to the USPTO during patent prosecution that might have even the remotest bearing on the patentability of the invention at issue. Because the recent inequitable conduct cases turn on the withholding of documents from the USPTO that are later deemed material to prosecution, the inclination now is to deluge the USPTO with a host of documents that would likely not have been submitted under earlier applications. However, the USPTO does not even seem to want all of these documents. Further, such practices by patent attorneys will result in significantly higher costs to patent applicants.

Ironically, such practices may not even have their desired effect. Many attorneys seem to view the doctrine and its case law as a ratchet moving only in the direction of more voluminous disclosure. However this Article argues that the fact or appearance of “burying” material documents within a ream of less relevant references remains a solid ground for a finding of inequitable conduct. Thus, instead of advocating a course of “more is better,” this Article revisits the core meaning of “materiality” and argues that the concept is more critical than ever in avoiding successful allegations of inequitable conduct. The Article makes the case that even

*Professor of Law and Chair, Law, Technology and Arts Group, University of Washington School of Law; Of Counsel, Seed IP Law Group. The Author thanks Karl Hermanns, Clark Lombardi, Eric Schnapper, and the editors of the Journal for helpful input on this article. Generous funding for research that led to this article was provided by Seed IP Law Group, PLLC. All opinions expressed, and any errors or omissions contained, herein are solely those of the Author.

¹ 863 F.2d 867, 876–77 (Fed. Cir. 1988) (*en banc*) (resolving conflicting precedent); *see, e.g.*, Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L. & TECH. 37, 82–83 (1993).

² *See* discussion *infra* Part II.

³ *See* discussion *infra* Part II.

the recent troubling cases can still be reconciled with this core principle of materiality.

At the same time, the Article concedes that there is something troubling and unpredictable about the doctrine. If nothing else, the excessive use of it is troublesome for individual attorneys and the patent bar overall. It has become the wild card of patent litigation. While the heightened pleading requirement imposed by the recent Federal Circuit decision in *Exergen Corp. v. Wal-Mart Stores, Inc.*⁴ should limit the flimsier uses of the defense, the fundamental infirmities of the doctrine remain. Accordingly, this Article advances a novel theory for how patent owners might cut off the use of the defense in the first place. Because the doctrine is premised on the patent owner's coming to equity with unclean hands, a patent owner could bring the infringement suit only for damages, and not for any equitable remedies such as injunctions. The two obstacles to this are: 1) patent owners nearly always want the leverage that the potential of injunctive relief accord them; and 2) some may argue that the mixed law-equity nature of contemporary federal courts means that even if the plaintiff does not bring equitable claims, the defendant may still be able to invoke equitable defenses. The Article addresses both of these concerns as well as a few others and concludes that in certain circumstances the tactic could be valuable for plaintiffs.

The Article proceeds in three parts. Part I revisits the history of the doctrine up through the *Kingsdown* consensus statement. Part II analyzes the current state of the doctrine, including the troubling cases of the mid 2000s and up through the recent corrective decision in *Exergen*. Part III then concludes the Article by reaffirming the centrality of materiality to the decisions of what to disclose to the USPTO during prosecution and sketching out the possible use of a damages-only patent infringement suit to cut off use of the inequitable conduct defense.

I. HISTORICAL ORIGINS OF THE DOCTRINE OF INEQUITABLE CONDUCT

This Part first revisits the origins of the inequitable conduct doctrine in the case law, before turning to the development of the USPTO's Rule 56 and IDS Rules. As a preliminary matter, none of the Patent Acts before the 1819 amendments even provided for actions in equity.⁵ Thus, injunctions were not obtainable and the only remedy for aggrieved patent owners was to seek damages.⁶ Up until 1836, members of the public could challenge issued patents in court within a certain time period after issuance, if the plaintiff could show that the defendant's patent “was obtained surreptitiously by, or upon, false suggestion.”⁷ However, this was eliminated in the

⁴ 575 F.3d 1312 (Fed. Cir. 2009).

⁵ Act of Feb. 15, 1819, ch. 19, § 1, 3 Stat. 481, 481–82 (repealed 1836) (current version at 35 U.S.C. § 283 (2006)) (granting federal courts the authority to grant injunctions).

⁶ Patent Act of 1793, ch. 11, § 5, 1 Stat. 318, 322 (repealed 1836) (current version at 35 U.S.C. § 284 (2006)) (providing damages for making, devising and using, or selling any patented art without the consent of the patentee); Patent Act of 1790, ch. 7, § 4, 1 Stat. 109, 111 (repealed 1793) (current version at 35 U.S.C. § 284 (2006)) (same).

⁷ Patent Act of 1790, ch. 7, § 5, 1 Stat. at 111 (providing that such actions must be commenced within one year of patent issuance); *see also* Patent Act of 1793, ch. 11, § 10, 1 Stat. at 323 (extending the time period to within three years of patent issuance).

Patent Act of 1836, which repealed all of the previous Acts.⁸ All of the Acts up through the Consolidated Patent Act of 1870 also allowed defendants to mount a defense based on allegations that patentee-plaintiffs had not included the “whole of the truth” in the specifications for their patents.⁹ But these provisions seem to be directed more at patents that were either too broad (“more than is necessary to produce the desired effect”) or inadequately enabled (“less than the whole truth relative to his invention or discovery”),¹⁰ rather than as a defense for general fraud on the Patent Office. In other words, some limited kinds of fraud on the Patent Office were allowed to be shown by defendants as a defense, namely those in which a patentee tried to mislead the Patent Office (and by extension the public) either to grant too broad of a patent or to grant a patent even though the specification did not enable the invention for the public.¹¹

A. *Origins of the Inequitable Conduct Doctrine as a Judicial Doctrine*

Up until the end of the nineteenth century, infringement defenses predicated on any kind of fraudulent procurement of patents were limited to cases in which the patentee had deceived the Patent Office to obtain a larger scope of patent rights or had misappropriated the invention from another.¹² All other fraudulent procurement would have to be remedied by intervention of the United States Government. In fact, the United States Government successfully sued to void a patent granted to Alexander Graham Bell in the 1888 case of *United States v. American Bell Telephone Co.*¹³ However, as both the statutory private defenses and fraudulent procurement actions by the Government were based on common law notions of fraud, private defendants and the Government had to show the requisite *scienter* on the part of the patentee.¹⁴

In the twentieth century, however, the notion that patent applicants should disclose “material” references that they were aware of to examiners during prosecution began to take root. The 1928 United States Supreme Court case of *Corona Cord Tire Co. v. Dovan Chemical Corp.*¹⁵ suggested that fraudulent procurement of claims based on misstatements by patentees in their applications must be material to the examiner.¹⁶ In particular, the *Corona* Court distinguished “reckless” statements from “material” statements.¹⁷ Thus, the state of play by the early twentieth century seemed to be that private defendants and the United States Government had certain avenues for using fraudulent procurement as either a

⁸ Patent Act of 1836, ch. 357, § 1, 5 Stat. 117, 117 (repealed 1870).

⁹ Patent Act of 1790, ch. 7, § 6, 1 Stat. at 111; *accord* Patent Act of 1870, ch. 230, § 61, 16 Stat. 198, 208 (repealed 1952) (current version at 35 U.S.C. § 282 (2006)); Patent Act of 1836, ch. 357, § 15, 5 Stat. at 123; Patent Act of 1793, ch. 11, § 6, 1 Stat. at 322.

¹⁰ *See, e.g.*, Patent Act of 1870, ch. 230, § 61, 16 Stat. at 208.

¹¹ *See id.*

¹² *See id.*

¹³ 128 U.S. 315 (1888).

¹⁴ *See id.* at 353–55 (charging that Bell “knew that every material part . . . [was] not his invention”).

¹⁵ 276 U.S. 358 (1928).

¹⁶ *Id.* at 374.

¹⁷ *Id.*

defense or basis of an action to void a patent, respectively, but only so long as they could show *scienter* with regard to misstatements that were material to the issuance of the patent.

However, in its 1945 decision in *Precision Instrument Mfg., Co. v. Automotive Maintenance Machinery Co.*, the Supreme Court opened up a whole new avenue for infringement defendants.¹⁸ It held that courts sitting in equity could choose to withhold their equitable powers to fashion relief for the patentee-plaintiff where that party came to the case with such “soiled hands” that it would violate the equitable maxim that “he who comes into equity must come with clean hands.”¹⁹ To paraphrase an old saying, strange facts make strange law. As has been the case for many of the key decisions in the development of the inequitable conduct doctrine, this case was based on odd and troubling facts. Further, many of fact patterns in the various key inequitable conduct cases fell outside of the “traditional” statutory fraudulent procurement issues of overly broad scope, lack of true enablement, or misappropriation from the true original inventor.²⁰ Accordingly, they presented difficult cases of harms without remedies. The doctrine of inequitable conduct, then, is confused and confusing because it is essentially a grab bag of cases where courts sitting in equity attempt to prevent patentee-plaintiffs from benefitting from their own wrongdoing in cases where there is no clear statutory or regulatory path for either a private infringement-defendant or even the United States Government to counter such wrongdoing. The resultant collection of essentially *ad hoc* decisions will almost by definition defy any attempts to create uniform criteria or principles, except at the most abstract level.

In *Precision Instrument*, Automotive Maintenance Machinery Co. (“Automotive”) was the manufacturer of torque wrenches developed by one of its employees, Zimmerman.²¹ It sold these torque wrenches to Snap-On Tools Corporation (“Snap-On”).²² Another of Automotive’s employees, Thomasma, secretly gave information about the torque wrenches to an outsider, Larson, and together they developed a new torque wrench.²³ Thomasma would later claim that the

¹⁸ 324 U.S. 806, 814–15 (1945). The issue had likely been building since the late 1800s cases discussed above and was in fact raised in two cases before *Precision Instruments* that also wound up in the Supreme Court. *See Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 251 (1944) (setting aside previously granted judgment for patent infringement upon discovery of fraud on the Patent Office); *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 247 (1933) (holding that a plaintiff alleging patent infringement must come with “clean hands”). But for procedural posture and other reasons, the Supreme Court did not rule directly in those cases on whether a court could dismiss a patent infringement suit solely on a defense of fraud or inequitable conduct. *Hazel-Atlas Glass*, 322 U.S. at 250 (stating in dictum that “[h]ad the District Court learned of the fraud on the Patent Office at the original infringement trial, it would have been warranted in dismissing [the] case.”); *Keystone Driller*, 290 U.S. at 246 (stating in dictum that “[h]ad the corruption . . . been disclosed at the trial of the [previous] Case, the court undoubtedly would have been warranted in holding it sufficient to require dismissal of the cause of action . . .”).

¹⁹ *Precision Instrument*, 324 U.S. at 814–15.

²⁰ *See, e.g., Hazel-Atlas Glass*, 322 U.S. at 240, 243 (regarding fraudulent submission of an article in support of patentability and subsequent payments for continued silence); *Keystone Driller*, 290 U.S. at 243 (regarding the exchange of valuable consideration for the secrecy of a prior use that would question the validity of a patent).

²¹ *Precision Instrument*, 324 U.S. at 808.

²² *Id.*

²³ *Id.*

development of the new wrench was all his work.²⁴ Larson, Thomasma, and a third individual, Carlsen, organized the Precision Instrument Manufacturing Company (“Precision”) to supply Snap-On with the new wrenches.²⁵ Meanwhile, Larson had filed a patent application on his own for the wrench, and assigned it to Snap-On days before Precision was formed.²⁶ Based on the new wrench design, Precision quickly took all the Snap-On torque wrench business away from Automotive.²⁷ Thomasma worked simultaneously for Automotive and Precision until the former discovered his position with the latter and discharged him.²⁸ Snap-On appeared to have been unaware of Thomasma’s dual positions.²⁹

The Patent Office declared an interference between Larson’s application and one filed by Zimmerman (and assigned to Automotive).³⁰ To Automotive’s surprise, Larson and Precision pursued the interference with zeal, with Larson blatantly lying about dates of conception and reduction to practice in a way calculated to ensure his priority of invention.³¹ Thomasma disclosed the whole story to Automotive and claimed that he, not Larson, developed the wrench and that Larson’s patent application and interference arguments were a “frame-up.”³² Automotive’s attorney, Fidler, contemplated taking the information to the District Attorney and/or the Patent Office, but did not do so.³³ He did consult with outside counsel who advised him that the evidence would not be actionable by either the District Attorney or the Patent Office (both of which were predicted to allow the interference proceeding to play out first).³⁴ Fidler did confront Larson and Carlsen’s patent attorney, Alberts, with the evidence and Alberts withdrew from representing Larson shortly thereafter.³⁵ Larson and Carlsen retained new counsel, Hobbs, who agreed to help them settle the interference with Automotive outside of the Patent Office.³⁶ A three way settlement was agreed to and executed in the form of three contracts: i) Automotive and Snap-On agreed that Snap-On would reassign the Larson application to Precision (who would then assign it to Automotive under the next agreement) and acknowledge the validity of the claims in both the Larson and Zimmerman patents; ii) Automotive and Precision agreed that Precision would assign the Larson application to Automotive and also acknowledge the validity of the Larson and Zimmerman claims, *even as the parties agreed privately that Zimmerman had priority*; and iii) Snap-On assigned the Larson application to Precision and assented to the Automotive-Precision agreement.³⁷

²⁴ *Id.*

²⁵ *Id.* at 809.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.* at 809–810.

³² *Id.* at 810.

³³ *Id.* at 810–11.

³⁴ *Id.* at 811.

³⁵ *Id.* *But see id.* at 811 n.3 (“Alberts apparently never withdrew formally as Larson’s attorney in the interference proceedings by filing a document to that effect in the Patent Office.”).

³⁶ *Id.* at 811–12.

³⁷ *Id.* at 813–14.

All likely would have ended there, with Automotive controlling the patents that finally issued on both the Larson and Zimmerman applications, but for the fact that Precision introduced yet another new wrench and began selling it through Snap-On.³⁸ Automotive claimed that this infringed its patents and violated the settlement agreements.³⁹ It filed suit against Precision, Snap-On, and Larson, who collectively defended themselves by invoking the equitable principle of unclean hands.⁴⁰ The basis of Automotive’s “soiled hands,” they asserted, was that Automotive knew full well how the Larson patent application involved outright lies and fraud on the Patent Office—including the private agreement that priority rested in Zimmerman for the invention—yet still accepted assignment of the application as part of the settlement and then successfully prosecuted the application without ever disclosing the lies and fraud underlying it to the Patent Office.⁴¹ The District Court dismissed all claims and counterclaims for “want of equity” in a case focused on the sole issue of Automotive’s alleged inequitable conduct.⁴² The Circuit Court of Appeals reversed on the grounds that the “District Court’s findings of fact were not supported by substantial evidence and that its conclusions of law were not supported by its findings.”⁴³

The Supreme Court took the case on certiorari “because of the public importance of the issues involved.”⁴⁴ Focusing exclusively on the unclean hands defense, the Court discussed that doctrine at some length:

The guiding doctrine in this case is the equitable maxim that “he who comes into equity must come with clean hands.” This maxim is far more than a mere banality. It is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequity or bad faith relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant. That doctrine is rooted in the historical concept of court of equity as a vehicle for affirmatively enforcing the requirements of conscience and good faith. This presupposes a refusal on its part to be “the abetter of iniquity.” Thus while “equity does not demand that its suitors shall have led blameless lives,” as to other matters, it does require that they shall have acted fairly and without fraud or deceit as to the controversy in issue.

This maxim necessarily gives wide range to the equity court’s use of discretion in refusing to aid the unclean litigant. It is “not bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion.” Accordingly, one’s misconduct need not necessarily have been of such a nature as to be punishable as a crime or as to justify legal proceedings of any character. Any willful act concerning the

³⁸ *See id.* at 814.

³⁹ *Id.*

⁴⁰ *Id.* at 807–08.

⁴¹ *Auto. Maint. Mach. Co. v. Precision Instrument Mfg. Co.*, 143 F.2d 332, 333 (7th Cir. 1944), *rev’d*, 324 U.S. 806 (1945).

⁴² *Precision Instrument*, 324 U.S. at 808 (discussing oral opinion from the District Court).

⁴³ *Id.* (citing *Auto. Maint.*, 143 F.2d at 333).

⁴⁴ *Id.*; *see Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 323 U.S. 695, 695 (1944) (granting writ of certiorari).

cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient cause for the invocation of the maxim by the chancellor.

Moreover, where a suit in equity concerns the public interest as well as the private interests of the litigants this doctrine assumes even wider and more significant proportions. For if an equity court properly uses the maxim to withhold its assistance in such a case it not only prevents a wrongdoer from enjoying the fruits of his transgression but averts an injury to the public. The determination of when the maxim should be applied to bar this type of suit thus becomes of vital significance.

In the instant case Automotive has sought to enforce several patents and related contracts. Clearly these are matters concerning far more than the interests of the adverse parties. The possession and assertion of patent rights are “issues of great moment to the public.” A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the “Progress of Science and useful Arts.” At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. The facts of this case must accordingly be measured by both public and private standards of equity.⁴⁵

The key parts of this dicta are that: i) the emerging doctrine of inequitable conduct was a species of the genus of unclean hands equitable defenses; ii) in patent cases, courts must consider both “private equity” and “public equity,” almost as if the public is a third party to the suit; iii) the equity court’s discretionary power to choose to not aid the “unclean litigant” is very wide and not bound by any formulas or limitations that might “trammel the free and just exercise of discretion”; and iv) the plaintiff need not have engaged in any activity that could be separately punishable as a crime or that would even justify legal proceedings of any character for the equity court to exercise its discretion to dismiss the case for want of equity.⁴⁶ Thus, in this seminal and still controlling case on inequitable conduct, the Supreme Court placed an equity court’s discretion beyond a limitation that a specific showing of any particular kind of legally actionable conduct would be required for the court to dismiss for want of equity.⁴⁷

Notwithstanding the Court’s establishment of a broad range of discretion for judges sitting in equity to dismiss a patent suit for want of equity, it still took pains to point out the egregious conduct of Automotive set out in the trial record:

[T]he District Court’s action in dismissing the complaints and counterclaims “for want of equity” was more than justified.

⁴⁵ *Precision Instrument*, 324 U.S. at 814–16 (citations omitted).

⁴⁶ *See id.*

⁴⁷ *See id.*

The history of the patents and contracts in issue is steeped in perjury and undisclosed knowledge of perjury. Larson’s application was admittedly based upon false data which destroyed whatever just claim it might otherwise have had to the status of a patent. Yet Automotive, with at least moral and actual certainty if not absolute proof of the facts concerning the perjury, chose to act in disregard of the public interest. Instead of doing all within its power to reveal and expose the fraud, it procured an outside settlement of the interference proceedings, acquired the Larson application itself, turned it into a patent and barred the other parties from ever questioning its validity. Such conduct does not conform to minimal ethical standards and does not justify Automotive’s present attempt to assert and enforce these perjury-tainted patents and contracts.⁴⁸

The *Precision Instruments* Court then appeared to impose a duty on patent applicants that was not directly linked to, nor limited by, the Patent Act’s statutory anti-fraud provision:

Those who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue. This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in that way can the Patent Office and the public escape from being classed among the “mute and helpless victims of deception and fraud.”⁴⁹

The upshot of the *Precision Instruments* decision was that an equity court can simply decide that the patentee-plaintiff has done something that negatively affects public or private equity in procuring the patent, whether or not rising to the level of fraud, and thus the court is going to withhold its equitable powers to assist the plaintiff in any equitable redress the plaintiff seeks against the defendant with regard to the patent.⁵⁰ This makes it sound as if the patentee-plaintiff perhaps could seek a remedy elsewhere. And, in fact, in an older Anglo-American judicial setting a plaintiff who had been barred from a court in equity would not necessarily be barred from seeking damages in a court of law.⁵¹ The only thing he would lose is the ability to obtain equitable remedies such as injunctions. Thus, one could infer that the broad discretion afforded to judges sitting in equity to dismiss cases for want of

⁴⁸ *Id.* at 816.

⁴⁹ *Id.* at 818 (citations omitted).

⁵⁰ *See id.* at 814–16.

⁵¹ *See* Patent Act of 1870, ch. 230, § 55, 16 Stat. 198, 206 (repealed 1952) (current version at 35 U.S.C. §§ 283, 284 (2006)) (granting the power of a court in equity to grant injunctions, and separately, the right of a complainant to damages for patent infringement).

equity is reasonable because the plaintiff likely still has the opportunity to seek monetary damages in a court of law. In other words, the liberal discretion given to equity judges does not close the door on all remedies for the plaintiff.

The rub, of course, is that patent cases must be heard in federal courts in the United States and those courts currently do not generally separate their equity and law based powers into separate adjudications.⁵² Rather, they can hear claims in both equity and law simultaneously, and can fashion both equitable and legal remedies in the same action.⁵³ Further, because current United States patent law provides for equitable relief, and such relief in the form of injunctions is seen as of paramount importance to patentees, essentially all patent lawsuits will seek equitable as well as legal relief and thus require the court to invoke its powers in both equity and law.⁵⁴ An open question, however, is whether a patentee-plaintiff with any concerns about a defendant's possible use of the inequitable conduct defense could sue an infringer *only* for damages and thus keep the suit to one only in law, and thus foreclose the defense of inequitable conduct.⁵⁵

B. Development of Rule 56 and Subsequent Interaction with Inequitable Conduct Case Law

Following *Precision Instruments*, but not directly related to it, the Patent Office adopted its Rules of Practice in Patent Cases on March 1, 1949.⁵⁶ These Rules included the first instance of Rule 56, which was codified at 37 C.F.R. § 1.56:

§ 1.56 *Improper applications.* Any application signed or sworn to in blank, or without actual inspection by the applicant, and any application altered or partly filled in after being signed or sworn to, and also any application fraudulently filed or in connection with which any fraud is practiced or attempted on the Patent Office, may be stricken from the files.⁵⁷

This original version of Rule 56 was clearly just a procedural rule allowing the Patent Office to strike an application that was defective or being prosecuted through

⁵² U.S. CONST. art. 1, § 8, cl. 8 (providing Congress with the power to grant limited monopolies to “promote the Progress of Science and useful Arts”); U.S. CONST. art. 3, § 2, cl. 1 (“The judicial Power shall extend to all Cases, in Law and Equity, *arising under* this Constitution . . .”) (emphasis added); 28 U.S.C. § 1338(a) (2006) (granting district courts original and exclusive jurisdiction of civil actions relating to patents); FED. R. CIV. P. 2 (“There is one form of action — the civil action.”).

⁵³ See FED. R. CIV. P. 2.

⁵⁴ 35 U.S.C. § 283 (allowing district courts to grant injunctive relief “in accordance with the principles of equity to prevent the violation of any right secured by patent”); *id.* § 284 (providing for compensation upon a finding of patent infringement).

⁵⁵ This would not, of course, forestall any defense provided for by statute or regulation such as the defenses for fraudulent procurement of a patent with over broad scope, lack of true enablement, or misappropriation from the true and original inventor as in place in the Consolidated Patent Act of 1870, as amended, that was in force when *Precision Instruments* was decided. See Patent Act of 1870, ch. 230, § 61, 16 Stat. 198, 208 (repealed 1952) (current version at 35 U.S.C. § 282 (2006)).

⁵⁶ 37 C.F.R. pt. 1 (1949).

⁵⁷ *Id.* § 1.56.

fraud.⁵⁸ Further, by its own terms, the original Rule 56 provided only for striking applications—there was no provision for what could be done once a patent issued and no private cause of action established during or after prosecution.⁵⁹ Framed in terms of fraud, Rule 56 would also require the Patent Office to show *scienter* before striking an application.⁶⁰ But at the same time, Rule 56 did not, and could not, modify the Supreme Court ruling in *Precision Instruments*.⁶¹ Thus, from the beginning, Rule 56 stood apart from the emerging judicial doctrine of inequitable conduct and at each step of the way, as outlined below, seemed to simply follow and codify developments in the judicial doctrine. Rule 56 remained in this original form until 1977.⁶²

Outside of the promulgation of Rule 56 in the 1940s, the Supreme Court had also recently issued a *per curiam* opinion in *Kingsland v. Dorsey*⁶³ regarding the disbarment from Patent Office practice of attorneys who had helped fraudulently procure the patents at issue in *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*⁶⁴ (a case considered a precursor to the Court’s decision in *Precision Instruments*).⁶⁵ In *Kingsland*, the Court adopted a statement made by the Patent Office committee that had disbarred the attorneys: “By reason of the nature of an application for patent, the relationship of attorneys to the Patent Office requires the highest degree of candor and good faith. In its relation to applicants, the Office . . . must rely upon their integrity and deal with them in a spirit of trust and confidence”⁶⁶ However, the Supreme Court held that the regulation and sanctioning of attorneys practicing before the Patent Office was left exclusively to the Patent Office by Congress, and not to the courts.⁶⁷ This ruling set the stage for the divergent inequitable disclosure issues facing modern patent attorneys: they are bound to Rule 56 standards and may be sanctioned or disbarred by the Patent Office for transgressing them,⁶⁸ but they must also help limit the chance that their client’s patents will not be enforced if a court chooses to withhold its assistance by dismissing a case for want of equity if a showing of inequitable conduct is made by the defendant.⁶⁹

Thus, by the 1950s, the main contours of inequitable conduct were established. In fact, the Supreme Court would hear no more cases on either the scope of

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ See U.S. PAT. & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 1-4 (1948) (authorizing the Patent Office to establish “regulations, not inconsistent with the law”).

⁶² Patent Examining and Appeal Procedures, 42 Fed. Reg. 5,588, 5,593–5,594 (Jan. 28, 1977) (to be codified at 37 C.F.R. pt. 1).

⁶³ 338 U.S. 318 (1949) (*per curiam*).

⁶⁴ 322 U.S. 238 (1944).

⁶⁵ *Kingsland*, 338 U.S. at 321 (Jackson, J., dissenting); see *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806 (1945).

⁶⁶ *Kingsland*, 338 U.S. at 319–20 (citation omitted).

⁶⁷ *Id.*

⁶⁸ U.S. PAT. & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE app. R §§ 10.22, 10.132 (8th ed., 7th rev. 2008) [hereinafter MPEP]; 37 C.F.R. § 1.56 (2008).

⁶⁹ See, e.g., *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 808, 820 (1945) (concluding that the evidence supported the district court’s oral opinion dismissing all claims for “want of equity”).

inequitable conduct as a defense to an infringement suit or the power of the Patent Office to sanction an attorney for violating the “duty of candor and good faith.” However, one additional area of fraudulent procurement of patents that the Supreme Court ruled on after *Precision Instruments* was the issue of whether fraudulent procurement of patents could give rise to an affirmative claim for violation of antitrust laws by the patentee. Thus, in the 1965 case of *Walker Process Equipment, Inc. v. Food Machinery and Chemicals Corp.* the Supreme Court upheld a private cause of action for parties who can make out a violation of federal antitrust laws by a patentee who fraudulently procures patents (leading to so-called “*Walker Process* claims”).⁷⁰

Passage of the Patent Act of 1952 did not add much to the clarity of the doctrine, as it eliminated the defenses for specific frauds contained in the Consolidated Patent Act of 1870.⁷¹ The final piece of the puzzle for the emerging doctrine of inequitable conduct was the culpability of the inventor herself when she takes the oath that she is the first true inventor and knows of no statutory bars to the application. At least one district court interpreted *United States v. American Bell Tel. Co.*⁷² to require the Government to make out an intentional withholding of a fully anticipatory reference in the prior art before the court would void an issued patent for fraudulent procurement. In the 1957 case of *United States v. Standard Electric Time Co.*,⁷³ the United States District Court for the District of Massachusetts found that the failure of the patentee to disclose masters’ theses that he had used in formulating his own ideas that formed the basis of both his doctoral degree dissertation from MIT and the patent at issue did not rise to the level of actionable fraud against the Government sufficient to void the patent:

There has been no showing that under any statute, or rule of the Patent Office, or professional custom, or canon of ethics there is any explicit or implicit obligation resting upon an applicant for a patent or his solicitor to disclose to the Patent Office all the material which he has used in evolving the invention he claims.

The applicant’s obligation under 35 U.S.C. § 115 and under former Rule 46 was to state whether to the best of his knowledge and belief the invention has been described in any printed publication. Of course, a putative inventor must disclose any printed publication which he either knows or believes describes the very invention claimed. More than this, if he knows of a printed publication which plainly describes his claimed invention, or comes so close thereto that every reasonable man would say the invention claimed was not original but had been anticipated, then regardless of his personal view that he is the original inventor, he will not be excused for his failure to disclose his knowledge. But the applicant has no duty to cite every publication of which he knows, or which he has used,

⁷⁰ 382 U.S. 172, 175–76 (1965).

⁷¹ Compare Patent Act of 1870, ch. 230, § 61, 16 Stat. 198, 208 (repealed 1952) (current version at 35 U.S.C. § 282 (2006)) (providing specific defenses to infringement for fraud), with Patent Act of 1952, ch. 11, § 282, 66 Stat. 792, 812 (providing specific to infringement for non-infringement or invalidity).

⁷² 128 U.S. 315 (1888).

⁷³ 155 F. Supp. 949 (D. Mass. 1957).

merely because the publication is one likely to be referred to by a vigilant examiner in the Patent Office, or by a rival in an interference or other proceeding. It is not the object of the quoted statute or rule to supply all available evidence to the Patent Office, or to force the applicant to set up what he regards as straw men which he reasonably and in good faith believes he can knock down.⁷⁴

Nonetheless, throughout the 1950s and 1960s, the circumstances in which courts were willing to accept an infringement defendant’s allegations of fraudulent procurement or inequitable conduct in order to refuse to enforce a patent seemed to be expanding. One commentator attributes part of this expansion to the addition of the statutory requirement for nonobviousness in the 1952 Patent Act.⁷⁵ Under this view, the limit of the disclosure requirement to fully anticipatory prior art, such as in *United States v. Standard Electric Time Company*, made more sense under the Consolidated Patent Act of 1870, as amended, because there was no requirement for nonobviousness in that statute.⁷⁶ Of course, *Standard Electric Time* was decided after the passage of the 1952 Patent Act, and the commentator does not address this issue.⁷⁷ But, he does rest more of his argument on the change occurring most noticeably after the 1966 Supreme Court decision of *Graham v. John Deere Co.*,⁷⁸ which, as he cites the case, “focused the obviousness analysis on ‘the scope and content of the prior art,’ rather than on judicially-created tests such as synergism or unexpected results.”⁷⁹

The next major inequitable conduct case was 1970’s *Norton v. Curtiss* in the Court of Customs and Patent Appeals (“C.C.P.A.”).⁸⁰ The C.C.P.A. was reviewing the Commissioner’s decision not to strike the pending application of Curtiss that was in an interference proceeding with the pending application of Norton.⁸¹ Thus, the decision was squarely on the scope and interpretation of the original (pre 1977) Rule 56 and, by the C.C.P.A.’s own account, was the first time that court interpreted it.⁸² The court focused on interpreting the term “fraud” as used in Rule 56, and as used by other courts in considering patent infringement defenses based on claims of inequitable conduct by the patentee.⁸³ Portions of the opinion are set out at length below because the decision remains a seminal one. They summarize the converging and expanding doctrines of fraudulent procurement and inequitable conduct, including development and application of materiality standards. They also set the baseline analysis that would be incorporated in both the 1977 Rule 56 overhaul and the case law of the yet-to-be-formed Federal Circuit:

⁷⁴ *Id.* at 952 (citations omitted).

⁷⁵ Goldman, *supra* note 1, at 56–57; see Patent Act of 1952, ch. 10, § 103, 66 Stat. at 798.

⁷⁶ See Goldman, *supra* note 1, at 56–57; see also Patent Act of 1870, ch. 230, § 1, 16 Stat. 198 (repealed 1952).

⁷⁷ See *Standard Elec. Time*, 155 F. Supp. at 949 (decided in 1957); Goldman, *supra* note 1, at 56–57.

⁷⁸ 383 U.S. 1 (1966).

⁷⁹ Goldman, *supra* note 1, at 57 (quoting *Graham*, 383 U.S. at 17).

⁸⁰ 433 F.2d 779 (C.C.P.A. 1970).

⁸¹ *Id.* at 781.

⁸² *Id.* at 791–92.

⁸³ *Id.* at 792.

The term “fraud” is not defined in the rules and we have been unable to find elsewhere any authoritative interpretation of that word as used in Rule 56. . . .

. . . .

. . . The only rational, practical interpretation of the term “fraud” in Rule 56 which could follow is that the term refers to the very same types of conduct which the courts, in patent infringement suits, would hold fraudulent.

We note first that traditionally, the concept of “fraud” has most often been used by the courts, in general, to refer to a type of conduct so reprehensible that it could alone form the basis of an actionable wrong (e.g., the common law action for deceit). That narrow range of conduct, now frequently referred to as “technical” or “affirmative” fraud, is looked upon by the law as quite serious. Because severe penalties are usually meted out to the party found guilty of such conduct, technical fraud is generally held *not* to exist unless the following indispensable elements are found to be present: (1) a representation of a material fact, (2) the falsity of that representation, (3) the intent to deceive or, at least, a state of mind so reckless as to the consequences that it is held to be the equivalent of intent (scienter), (4) a justifiable reliance upon the misrepresentation by the party deceived which induces him to act thereon, and (5) injury to the party deceived as a result of his reliance on the misrepresentation.

But the term “fraud” is also commonly used to define that conduct which may be raised as a defense in an action at equity for enforcement of a specific obligation. In this context, it is evident that the concept takes on a whole new scope. Conduct constituting what has been called earlier “technical fraud” will, of course, always be recognized as a defense. However, in these situations, failure, for one reason or another, to satisfy all the elements of the technical offense often will not necessarily result in a holding of “no fraud.” Rather the courts appear to look at the equities of the particular case and determine whether the conduct before them—which might have been admittedly less than fraudulent in the technical sense—was still so reprehensible as to justify the court’s refusing to enforce the rights of the party guilty of such conduct. It might be said that in such instances the concept of fraud becomes intermingled with the equitable doctrine of “unclean hands”. A court might still evaluate the evidence in light of the traditional elements of technical fraud, but will now include a broader range of conduct within each of those elements, giving consideration to the equities involved in the particular case. . . .

. . . .

Of critical concern in analyzing the first element is the question of the scope to be accorded the concept of materiality. In technical fraud, to be “material”, the fact misrepresented must be “the efficient, inducing, and proximate cause, or the determining ground” of the action taken in reliance thereon. In patent cases, “materiality” has generally been interpreted to mean that if the Patent Office had been aware of the complete or true facts, the challenged claims would not have been allowed.

However, the above test cannot be applied too narrowly if the relationship of confidence and trust between applicants and the Patent Office is to have any real meaning. Findings of materiality should not be limited only to those situations where there can be no dispute that the true facts, or the complete facts, if they had been known, would most likely have prevented the allowance of the particular claims at issue or alternatively, would provide a basis for holding those claims invalid. In such cases, the claims at issue would probably be invalid, in any event, because of the *existence* of those facts, *in and of themselves*. Whether the claims would also be unenforceable because a fraud was committed in misrepresenting the facts to the Patent Office would really be of secondary importance. It is our view that a proper interpretation of the “materiality” element of fraud in this context must include therein consideration of factors apart from the objective patentability of the claims at issue, particularly (where possible) the subjective considerations of the examiner and the applicant. Indications in the record that the claims at issue *would* not have been allowed but for the challenged misrepresentations must not be overlooked due to any certainty on the part of the reviewing tribunal that the claimed invention, viewed objectively, *should* have been patented. If it can be determined that the claims would *not* have been allowed *but for* the misrepresentation, then the facts were material regardless of their effect on the objective question of patentability. . . .

. . . .

The state of mind of the one making the representations is probably the most important of the elements to be considered in determining the existence of “fraud.” Perhaps it is most of all in the traditional element of “scienter” that the existence of a fiduciary-like duty should have its effect. As we have already indicated, the procurement of a patent involves the public interest, not only in regard to the subject matter of the patent grant, but also in the system under which the grant is obtained. Conduct in this area necessarily must be judged with that interest always taken into account and objective standards applied. Good faith and subjective intent, while they are to be considered, should not *necessarily* be made controlling. Under ordinary circumstances, the *fact* of misrepresentation coupled with proof that the party making it had knowledge of its falsity is enough to warrant drawing the inference that there was a fraudulent intent. Where public policy demands a complete and accurate disclosure it may suffice to show nothing more than that the misrepresentations were made in an atmosphere of gross negligence as to their truth. . . .

. . . .

We must emphasize that while we have recognized the requirement that the provisions of Rule 56 be interpreted more broadly in this area of inequitable conduct, the rule as to burden of proof has not changed. Because of the importance of this issue, the courts have demanded that the *quantum* of proof as to fraud be substantial. The standard has been and

still is that proof of fraud must be clear and convincing. Thus, the one asserting misconduct carries a heavy burden of persuasion.⁸⁴

In many ways this was the first “modern” case of inequitable conduct. It demonstrated how the elements of “traditional” (or as the court calls it “technical”) fraud were watered down to allow for findings of inequitable conduct when actions of the original applicant or her attorney fell short of the normally high hurdles for each element.⁸⁵ The case also formally introduced the “subjective but for” test, in which a court could find inequitable conduct so long as the examiner would have rejected the application but for the fraudulent disclosure or withheld references, even if he would have been objectively wrong in doing so.⁸⁶

The opinion also affirmed the introduction of recklessness and gross negligence as potential triggers for a finding of inequitable conduct.⁸⁷ Further, it began the odd and ongoing interaction between case law and Rule 56.⁸⁸ The C.C.P.A. was trying to interpret the original version of Rule 56, and to do so it incorporated case law on fraudulent procurement and inequitable conduct that had no direct connection to Rule 56—other than the logic from a case in which the Commissioner of the Patent Office asserted the Office should use the same standards to strike a patent application for fraud that a court would use to void an issued patent for fraudulent procurement.⁸⁹ But therein lay the circularity that would come to define the troubled relationship between Rule 56 and inequitable conduct case law. Further, the C.C.P.A. did not restrict its guidance on these standards to cases in which the United States Government sued to void a patent, but rather also included litigation between private parties such as *Precision Instrument*.⁹⁰ At the same time, courts considering inequitable conduct defenses in private party litigation were looking at the standards being established in cases in which the United States Government sued to void a patent for fraudulent procurement.⁹¹ The upshot was that the various Rule 56 actions, United States Government suits to void fraudulently procured patents, and private party inequitable defense cases, all became a kind of echo chamber in which ever lower standards for finding the elements of fraud in one type of proceeding were quickly adopted by courts or the Patent Office in other types of proceedings.⁹² Depending on your point of view, this was either a classic “race to the bottom” or “race to the top.” Inversely proportional to the easing of the fraud element standards was, of course, the heightening of *de facto* disclosure standards for patent applicants and their attorneys to counter the effectiveness of inequitable conduct defenses.

⁸⁴ *Id.* at 792–97 (footnotes omitted) (citations omitted) (all emphasis added).

⁸⁵ *Id.* at 792–93.

⁸⁶ *Id.* at 795.

⁸⁷ *Id.* at 796.

⁸⁸ *Id.* at 791–92.

⁸⁹ *Id.* at 791–93 (citing *In re Heaney*, 1911 C.D. 139, 154, 171 O.G. 983 (1911)).

⁹⁰ *Id.* at 792 (stating that interpretations of fraud apply to the issuance of a patent and as an infringement defense); see *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 807 (1945).

⁹¹ See, e.g., *Norton*, 433 F.2d at 792.

⁹² See *id.* at 793.

In 1974, the Patent Office issued guidelines for citation of prior art by applicants,⁹³ but these were restated and/or superseded, as applicable, by the major revision of Rule 56 in 1977 (the “1977 Rule”).⁹⁴ The 1977 Rule was more similar to the form of Rule 56 today than it was to its predecessor.⁹⁵ However, it was amended throughout the 1980s and then replaced in its entirety by the 1992 recodification, as amended in 2000,⁹⁶ which will be discussed in the next Part of this Article. The 1977 rulemaking also added Rules 97–99, which established the voluntary “Prior Art Statement” disclosure program, which would later become known as the “Information Disclosure Statement” (“IDS”) program.⁹⁷

The most notable feature of the 1977 Rule was that Rule 56 was changed from a straightforward provision enabling the USPTO⁹⁸ to strike applications for fraud to one that formally established a duty of candor and good faith by patent applicants and their attorneys.⁹⁹ The primary penalty for any violation of Rule 56 remained that the USPTO could strike a *pending* application.¹⁰⁰ Thus, once a patent issued Rule 56 had no more effect as a USPTO matter.¹⁰¹ Separately, of course, the USPTO could use an attorney’s violation of the Rule as the basis for sanctioning or disbaring the attorney from USPTO practice.¹⁰² The question then is what effect, if any, the 1977 Rule should have had on subsequent court proceedings either in which the United States Government sought to void an issued patent for fraud or in which a private infringement defendant raised an inequitable defense. One might use Rule

⁹³ Patent Examining and Appeal Procedures, 42 Fed. Reg. 5,588, 5,591 (Jan. 28, 1977) (to be codified at 37 C.F.R. pt. 1) (citing Notice of August 12, 1974, 926 O.G. 2).

⁹⁴ 37 C.F.R. § 1.56 (1977).

⁹⁵ *Compare id.* (“[I]ndividuals have a duty to disclose to the Office information they are aware of which is material to the examination of the application.”), *and* 37 C.F.R. § 1.56 (2008) (“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 . . .”), *with* 37 C.F.R. § 1.56 (1949) (“[A]ny application fraudulently filed or in connection with which any fraud is practiced or attempted on the Patent Office, may be stricken from the files.”).

⁹⁶ *See* Reissue, Reexamination, Protest and Examination Procedures in Patent Rules, 47 Fed. Reg. 21,746, 21,747–21,748, 21,751–21,752 (May 19, 1982) (to be codified at 37 C.F.R. pt. 1); Revision of Patent Procedure, 48 Fed. Reg. 2,696, 2,699, 2,710 (Jan. 20, 1983) (same); Revision of Patent Practice, 49 Fed. Reg. 548, 549, 554 (Jan. 4, 1984) (same); Practice Before the Patent and Trademark Office, 50 Fed. Reg. 5,158, 5,160, 5,171 (Feb. 6, 1985) (to be codified at 37 C.F.R. pts. 1, 2 & 10); Miscellaneous Changes in Patent Practice, 53 Fed. Reg. 47,803, 47,806, 47,808 (Nov. 28, 1988) (to be codified at 37 C.F.R. pt. 1); Duty of Disclosure, 57 Fed. Reg. 2,021, 2,022, 2,034 (Jan. 17, 1992) (to be codified at 37 C.F.R. pts. 1 & 10); Changes to Implement the Patent Business Goals, 65 Fed. Reg. 54,604, 54,623, 54,666–54,667 (Sept. 8, 2000) (to be codified at 37 C.F.R. pts. 1, 3, 5 & 10).

⁹⁷ Patent Examining and Appeal Procedures, 42 Fed. Reg. at 5,591, 5,594; Revision of Patent Procedure, 48 Fed. Reg. at 2,700 (amending section 1.97 to change the title from “prior art statement” to “information disclosure statement”). Rule 99, 37 C.F.R. § 1.99, would eventually be rescinded and reserved for later use. Duty of Disclosure, 56 Fed. Reg. 37,321, 37,327 (Aug. 6, 1991) (to be codified at 37 C.F.R. pts. 1 & 10).

⁹⁸ The Patent Office was formally renamed the Patent and Trademark Office effective January 2, 1975, H.R. 7599, 93d Congress, 88 stat. 1949 (1975) (enacted).

⁹⁹ Patent Examining and Appeal Procedures, 42 Fed. Reg. at 5,589–5,590, 5,593. However, the PTO asserted that it was only codifying its existing practice and not introducing a truly new rule or standards. *Id.* at 5,589.

¹⁰⁰ 37 C.F.R. § 1.56(d) (1977).

¹⁰¹ *See id.*

¹⁰² *Id.* §§ 1.344, 1.348.

56 as a test for what the USPTO would consider actionable fraud under its own standards. But the USPTO also stated that this policy was “believed consistent with the prevailing case law in the federal courts.”¹⁰³ And much of the 1977 Rule—from its opening phrase of “[a] duty of candor and good faith” onward—seemed to come as much from court decisions across the range of fraud and inequitable conduct cases as from the original Rule 56.¹⁰⁴

In its notice of final rulemaking, the USPTO acknowledged public comments that expressed concern over the imprecise definition of the duty of disclosure, the likelihood of a significantly increased burden on patent applicants, and the chance of increased litigation.¹⁰⁵ The USPTO also gave critical guidance on the evolving standard of materiality by citing the 1976 Supreme Court decision in the securities law case of *TSC Industries, Inc. v. Northway, Inc.*¹⁰⁶ In particular, the USPTO shifted from using the term “relevant/relevance” in the proposed rule in favor of using “material” in the final rule.¹⁰⁷ It cautioned practitioners that the meaning of “materiality” from securities law cases should not be “automatically” transferred to patent cases.¹⁰⁸ But it also established that materiality standards can be applied to limit *over* disclosure as much as *under* disclosure:

[I]n formulating the definition of materiality in *TSC Industries* the Supreme Court considered some of the same matters over which concern was expressed in the public comments on proposed § 1.56. The Court noted that the standard of materiality should not be so low that persons would be “subjected to liability for insignificant omissions or misstatements,” or so low that the fear of liability would cause management “simply to bury the shareholder in an avalanche of trivial information—a result that is hardly conducive to informed decision making.”¹⁰⁹

While the concept of materiality in securities law has evolved over the intervening decades, *TSC Industries* remains the seminal case.¹¹⁰ In particular, its discussion of the effects of material misstatements or omissions on the “total mix” of information available to investors—and on which they make their investment decisions—remains a central test in securities fraud cases to this day.¹¹¹ Further, the definitions and tests of materiality that the Supreme Court rejected are equally as instructive as the definition/test it adopted:

The question of materiality, it is universally agreed, is an objective one, involving the significance of an omitted or misrepresented fact to a reasonable investor. Variations in the formulation of a general test of

¹⁰³ Patent Examining and Appeal Procedures, 42 Fed. Reg. at 5,589.

¹⁰⁴ See 37 C.F.R. § 1.56(a).

¹⁰⁵ Patent Examining and Appeal Procedures, 42 Fed. Reg. at 5,589–5,590.

¹⁰⁶ *Id.* at 5,589 (citing 426 U.S. 438 (1976)).

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ *Id.* (quoting *TSC Industries*, 426 U.S. at 448–49).

¹¹⁰ See, e.g., STEPHEN J. CHOI & A.C. PRITCHARD, ESSENTIALS: SECURITIES REGULATION 30–31 (Aspen Publishers 2008).

¹¹¹ See *TSC Industries*, 426 U.S. at 449.

materiality occur in the articulation of just how significant a fact must be or, put another way, how certain it must be that the fact would affect a reasonable investor’s judgment.

The Court of Appeals in this case concluded that material facts include “all facts which a reasonable shareholder *Might* consider important.” This formulation of the test of materiality has been explicitly rejected by at least two courts as setting too low a threshold for the imposition of liability under [SEC] Rule 14a-9. In these cases, panels of the Second and Fifth Circuits opted for the conventional tort test of materiality whether a reasonable man *Would* attach importance to the fact misrepresented or omitted in determining his course of action. . . .

. . . .
In formulating a standard of materiality under Rule 14a-9, we are guided . . . by . . . recognition . . . of the Rule’s broad remedial purpose. That purpose is not merely to ensure by judicial means that the transaction, when judged by its real terms, is fair and otherwise adequate, but to ensure disclosures by corporate management in order to enable the shareholders to make an informed choice. As an abstract proposition, the most desirable role for a court in a suit of this sort, coming after the consummation of the proposed transaction, would perhaps be to determine whether in fact the proposal would have been favored by the shareholders and consummated in the absence of any misstatement or omission. But as we [have] recognized . . . such matters are not subject to determination with certainty. Doubts as to the critical nature of information misstated or omitted will be commonplace. And particularly in view of the prophylactic purpose of the Rule and the fact that the content of the proxy statement is within management’s control, it is appropriate that these doubts be resolved in favor of those the statute is designed to protect.

We are aware, however, that the disclosure policy embodied in the proxy regulation is not without limit. Some information is of such dubious significance that insistence on its disclosure may accomplish more harm than good. . . . Precisely these dangers are presented, we think, by the definition of a material fact adopted by the Court of Appeals in this case a fact which a reasonable shareholder *might* consider important. We agree with Judge Friendly . . . that the “might” formulation is “too suggestive of mere possibility, however unlikely.”

The general standard of materiality that we think best comports with the policies of Rule 14a-9 is as follows: An omitted fact is material if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote. . . . It does not require proof of a substantial likelihood that disclosure of the omitted fact would have caused the reasonable investor to change his vote. What the standard does contemplate is a showing of a substantial likelihood that, under all the circumstances, the omitted fact would have assumed actual significance in the deliberations of the reasonable shareholder. Put another way, there must be a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the “total mix” of information available.

The issue of materiality may be characterized as a mixed question of law and fact, involving as it does the application of a legal standard to a particular set of facts.¹¹²

The concept of “burying” references has evolved in patent law from these origins in the 1977 Rule and the USPTO’s citation to the *TSC Industries* standards. It includes not only the “document dump” concept of an avalanche of trivial information, but also the calculated tactic of hiding problematic prior art references in a mountain of other references, with the hope that the examiner will not really notice them, or at least not realize their import.¹¹³ The concept is similar to other information-rich environments, such as drug warning labels, in which there may be a temptation for persons who must disclose potential harms to bury these warnings into dense text, or within many less-concerning warnings, in the hope that the consumer will either give up on reading the warning label in its entirety, or simply gloss over the truly concerning portions. Thus, *materiality* cuts both ways: one must disclose not only *all* material information, but must also not submit so much information of dubious materiality that the highly material references are buried. Accordingly, current calls for patent applicants and their attorneys to simply disclose every imaginable reference—no matter how material to the application and examiner—may well violate Rule 56 as much as a failure to disclose a material reference.

Not only did the USPTO incorporate the definition and guiding principles of materiality from the case law in issuing the 1977 Rule, but it also did so for the term “information”: “It means all of the kinds of information required to be disclosed under current case law. In addition to prior art patents and publications, it includes information on prior public uses, sales, and the like.”¹¹⁴ Beyond this, the USPTO declined to venture: “It is not believed practicable to define information in the text of the rule at this time.”¹¹⁵ But it did disclaim some kinds of information: “the rule is not intended to require disclosure of information favorable to patentability—e.g., evidence of commercial success of the invention. Neither is it meant to require disclosure of information concerning the level of skill in the art for purposes of determining obviousness.”¹¹⁶ These disclaimed categories are curious though, if one believes that part of the expansion of the kinds of information required by courts and the USPTO leading up to the 1977 Rule was largely due to the 1952 Patent Act’s statutory requirement for nonobviousness.¹¹⁷ Or at least it left disclosure requirements a one-way street—patent applicants would need to disclose the myriad

¹¹² *Id.* at 445–50 (footnotes omitted) (citations omitted) (first & second emphasis added).

¹¹³ *See, e.g.,* *Penn Yan Boats, Inc. v. Sea Lark Boats, Inc.*, 359 F. Supp. 948, 964–65 (S.D. Fla. 1972), *aff’d*, 479 F.2d 1328 (5th Cir. 1973) (per curiam). In fact, the Court of Appeals for the Fifth Circuit had affirmed a district court’s finding of inequitable conduct based on a patentee’s burying of a highly material reference in a list of references that arguably mischaracterized the material reference as well. *Penn Yan Boats*, 479 F.2d at 1328. The Federal Circuit’s 1995 decision in *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1183–84 (Fed. Cir. 1995), cited this decision with approval, even as it distinguished the facts in that case to overturn a finding of inequitable conduct by the district court.

¹¹⁴ Patent Examining and Appeal Procedures, 42 Fed. Reg. at 5,590.

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *See* Goldman, *supra* note 1, at 56–57.

of references that might render their invention obvious, but they were not required to disclose information that might bolster their case for nonobviousness.¹¹⁸

How should this disclaimer of a requirement to disclose favorable references be understood? On the one hand, the USPTO could have been relying on patent applicants and their attorneys to be making the case for patentability and nonobviousness all throughout the prosecution process anyway. But on the other hand, then why bother with the disclaimer? One speculation is that because the failure to disclose required material information was actionable in and of itself—even if the patent should still have issued had the proper disclosure been made—the USPTO may have been trying to avoid situations in which a patent applicant’s failure to disclose every favorable material piece of information could lead to the paradoxical result that the application could be stricken. This was especially important as the USPTO was drafting the 1977 Rule and its issuing commentary with an eye to the use of the standards by courts in determining whether a patent should be voided under suit by the United States Government or not enforced in a private enforcement action where the defendant argued fraud or inequitable conduct on the USPTO.¹¹⁹

The USPTO also addressed the concerns of patent applicants that the new disclosure rules would create problems for confidential information.¹²⁰ The USPTO reiterated its position that it kept applications confidential until the patent issued (at that time), and suggested that it might engage in later rulemaking on this point.¹²¹

Turning to the new section 1.56(b), the USPTO explained that it clarified inventors’ ability to satisfy their duty of disclosure by disclosing material information to their patent attorneys, agents, or co-inventors.¹²² The recipient party could then make the determination of whether the information was in fact material and submit it to the USPTO during prosecution as warranted.¹²³ New section 1.56(c) restated the non-controversial original Rule 56 triggers for striking applications (signed or sworn to in blank or without actual inspection by party, or altered or partly filled in after being sworn to).¹²⁴ New section 1.56(d) explicitly established that applications may be stricken upon clear and convincing evidence that a fraud was perpetrated on the USPTO.¹²⁵

The USPTO explained why the term “inequitable conduct” did not make it into the final rule:

The term “inequitable conduct” is dropped from § 1.56(d) as covering too great a spectrum of conduct to be subject to mandatory striking. Inequitable conduct that is equivalent to fraud is intended to come within the definition of fraud. The Court of Customs and Patent Appeals already has interpreted “fraud” in existing § 1.56 to encompass conduct of this sort

¹¹⁸ See Patent Examining and Appeal Procedures, 42 Fed. Reg. at 5,590.

¹¹⁹ See *id.* at 5,589–5,590.

¹²⁰ *Id.* at 5,590.

¹²¹ *Id.*

¹²² *Id.*

¹²³ *Id.*

¹²⁴ *Id.* at 5,594.

¹²⁵ *Id.*

[citing *Norton v. Curtiss*]. Moreover, § 1.56(d) as adopted calls for striking an application either for fraud or for a violation of the duty of disclosure.

In § 1.56(d) “bad faith” is substituted for the term “deliberate” that was used in the proposal. This change is to make clear that an intent to deceive (or gross negligence equivalent to such an intent) must be shown before an application will be stricken. Bad faith is not present if information is withheld as a result of an error in judgment or inadvertence.¹²⁶

Towards the end of its commentary on the 1977 Rule, the USPTO addressed the concerns of some patent attorneys and agents that the duties imposed under the rule would conflict with their duties to their clients (a concern also leveled against the new Prior Art Statements rules):

It is of course in the interest of the client to have a valid patent and this cannot be obtained without disclosure of known material facts. It is not inconsistent for an attorney or agent to fulfill his duty of candor and good faith to the Office and to act as an advocate for his client. The submission of information under § 1.56 does not preclude the submission of arguments that such information does not render the subject matter of the application unpatentable.¹²⁷

At the same time, the USPTO took the opportunity to remind patent applicants of their own duty to disclose by pointing out that section 1.65 was also amended in the rulemaking to require the applicant to acknowledge this duty.¹²⁸ Thus the USPTO seemed to suggest that patent attorneys and agents should not feel any serious conflict in their duties as between the USPTO and their clients as the attorneys/agents and their clients were yoked together in the duty to disclose by the USPTO rules anyway.¹²⁹

The USPTO then turned to its new Prior Art Statements system and rules promulgated with the 1977 Rule. While the system was not mandatory, applicants were “strongly encouraged” to use it and the USPTO suggested that it would be “the best way” for applicants (and presumably their patent attorneys/agents) to satisfy their duty of disclosure.¹³⁰ Further, the USPTO would not “assure that prior art disclosed in other ways will be considered by the examiner.”¹³¹ Finally, the USPTO explained how the purpose of the prior art statement program and rules differed from earlier proposals: “Unlike the proposed version of this paragraph, which called for an explanation of why the claimed invention is believed patentable over the cited art, the paragraph as adopted calls only for a concise explanation of the relevance of each listed item.”¹³² As to what would satisfy the adopted purpose, the USPTO stated:

¹²⁶ *Id.* at 5,590.

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *See id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² *Id.* at 5,591.

This may be nothing more than identification of the particular figure or paragraph of the patent or publication which has some relation to the claimed invention. It might be a simple statement pointing to similarities between the item of prior art and the claimed invention. It is permissible but not necessary to discuss differences between the prior art and the claims. It is thought that the explanation of relevance will be essentially as useful to the examiner as the formerly proposed explanation of patentability, and should be significantly less burdensome for the applicant to prepare.

Section 1.98 requires a copy of each patent or publication cited, including U.S. patents, to accompany the prior art statement. Several comments questioned the need for burdening the applicant to supply copies of materials that are present in the Office’s files. However, substantial time and effort often is needed to locate a document in the Office’s files. Since the person submitting the prior art statement generally has available a copy of the item being cited, it is believed that expense and effort can be minimized by having that person supply the copy in all cases. Consideration has been given to proposals to allow the applicant to submit an order for copies of the patents along with his statement instead of actually submitting copies. This will be further studied, but to date no way has been found to assure that the copies will be available to the examiner by the first action unless the applicant submits them with the prior art statement.¹³³

Following the 1977 Rule, the USPTO made some minor amendments to Rule 56 and the Prior Art Statement program throughout the 1980s (most notably renaming the latter the “Information Disclosure Statement” (“IDS”) program).¹³⁴ However, it did not majorly overhaul Rule 56 or the IDS Rules until 1992,¹³⁵ as discussed below.

The Federal Circuit was formed in 1982¹³⁶ and adopted much of the precedential case law of both the C.C.P.A. and the Court of Claims, although it was not technically required to do so.¹³⁷ Further, a number of judges from these other courts—such as Judges Rich and Baldwin—were the initial appointees to the Federal Circuit.¹³⁸ Thus, absent a significant change of mind by any of them, future decisions could be expected to be consonant with their prior ones. In 1983, the Federal Circuit decided

¹³³ *Id.*

¹³⁴ *See* Reissue, Reexamination, Protest and Examination Procedures in Patent Rules, 47 Fed. Reg. 21,746, 21,747–21,748, 21,751–21,752 (May 19, 1982) (to be codified at 37 C.F.R. pt. 1); Revision of Patent Procedure, 48 Fed. Reg. 2,696, 2,699–2,700, 2,710, 2,712 (Jan. 20, 1983) (same); Revision of Patent Practice, 49 Fed. Reg. 548, 549, 554 (Jan. 4, 1984) (same); Practice Before the Patent and Trademark Office, 50 Fed. Reg. 5,158, 5,160, 5,171 (Feb. 6, 1985) (to be codified at 37 C.F.R. pts. 1, 2 & 10); Miscellaneous Changes in Patent Practice, 53 Fed. Reg. 47,803, 47,806, 47,808 (Nov. 28, 1988) (to be codified at 37 C.F.R. pts. 1 & 10).

¹³⁵ *See generally* Duty of Disclosure, 57 Fed. Reg. 2,021 (Jan. 17, 1992) (to be codified at 37 C.F.R. pt. 1) (amending the rules of practice in patent cases regarding the duty of disclosure of information).

¹³⁶ Federal Courts Improvement Act of 1982, H.R. 4482, 97th Cong., 96 Stat. 25 (1982) (enacted).

¹³⁷ *See* S. Corp. v. United States, 690 F.2d 1368, 1369 (Fed. Cir. 1982).

¹³⁸ John R. Allison & Mark A. Lemley, *How Federal Circuit Judges Vote in Patent Validity Cases*, 27 FLA. ST. U. L. REV. 745, 751, 751 n.21 (2000).

its first inequitable conduct cases. In *Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc.*, a case not centrally concerned with inequitable conduct, the court cited decisions by the United States Court of Appeals for the Eighth Circuit and the United States Court of Appeals for the District of Columbia to assert that: “Establishing that a patent was procured by fraud or with such egregious conduct as to render it unenforceable requires clear, unequivocal, and convincing evidence of an intentional misrepresentation or withholding of a material fact from the PTO.”¹³⁹ Further, “Although inequitable conduct requires less stringent proofs as to both materiality and intent than common law fraud, mere evidence of simple negligence, oversight, or an erroneous judgment made in good faith not to disclose prior art is not sufficient to render a patent unenforceable.”¹⁴⁰

Later that year, the Federal Circuit decided an appeal focused squarely on fraud and inequitable conduct. In *Rohm & Haas Co. v. Crystal Chemical Co.*, the court sought to answer three questions:

1. Did [the patentee] intentionally make material misrepresentations to the PTO?
2. If it did, could that conduct have been “cured” during prosecution by subsequent disclosure to the PTO before the patent issued?
3. If [the patentee’s] prosecution activities were illicit, yet could have been “cured,” was its subsequent examiner interview disclosure sufficient to cure the defects?¹⁴¹

The misrepresentations were initially in the form of affidavits containing data amassed and submitted by a patent agent who was deceased by the time of the litigation.¹⁴² Accordingly, the Federal Circuit also had to grapple with how to determine the intent to deceive by a now deceased individual.¹⁴³ The affidavits were undisputed to have been submitted to overcome prior art rejections by the examiner.¹⁴⁴ Thus, the Federal Circuit found that both the affidavits and the misrepresentations therein were material.¹⁴⁵ As to the deceased agent’s state of mind, the court stated that

[w]hile direct proof of intent to mislead is normally absent, such submissions usually will support the conclusion that the affidavit in which they were contained was the chosen instrument of an intentional scheme to deceive the PTO. In any event, proof of the actual state of mind of the

¹³⁹ 707 F.2d 1376, 1383 (Fed. Cir. 1983) (citing *Square Liner 360°, Inc. v. Chisum*, 691 F.2d 362, 374 (8th Cir. 1982); *E.I. du Pont de Nemours & Co. v. Berkley & Co.*, 620 F.2d 1247, 1274 (8th Cir. 1980); *Oetiker v. Jurid Werke GmbH*, 671 F.2d 596, 600 (D.C. Cir. 1982)).

¹⁴⁰ *Id.* (citing *Oetiker*, 671 F.2d at 600).

¹⁴¹ 722 F.2d 1556, 1570 (Fed. Cir. 1983).

¹⁴² *Id.* at 1559.

¹⁴³ *Id.* at 1570.

¹⁴⁴ *Id.*

¹⁴⁵ *Id.* at 1571.

applicant or persons associated with or representing an applicant is not required.¹⁴⁶

However, the court allowed that an applicant could cure an application tainted by fraud or misrepresentation *while the application was still pending*, provided that acknowledgment of the fraud or misrepresentation was made fully and adequate remedial measures were taken.¹⁴⁷

In 1984, the Federal Circuit moved on to address the proliferation of tests for materiality that were still being advanced by plaintiffs and defendants based on the case law of the various appeals circuits hearing patent cases before the formation of the Federal Circuit. In *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*,¹⁴⁸ the court reviewed what it considered to be the four major tests:

It has been noted that courts have utilized at least three distinct orders of materiality: (1) an objective “but for” standard; (2) a subjective “but for” standard; and (3) a “but it may have” standard. Criterion (3) endorses inquiry into whether the involved facts “might reasonably have affected the examiner’s decision as to patentability.”

Although strikingly similar to the “but it may have” guideline, there is yet another and official “standard.” PTO Rule 1.56(a), explains materiality. It says that information “is material where there is [1] a *substantial likelihood* that [2] a *reasonable examiner* [3] would consider it *important* [4] in deciding *whether to allow the application to issue* as a patent.”

The PTO “standard” is an appropriate starting point for any discussion of materiality, for it appears to be the broadest, thus encompassing the others, and because that materiality boundary most closely aligns with how one ought to conduct business with the PTO. There is no reason, however, to be bound by any single standard, for the answer to any inquiry into fraud in the PTO does not begin and end with materiality, nor can materiality be said to be unconnected to other considerations¹⁴⁹

This dicta may have contributed to the continued proliferation of inequitable conduct defenses. By the end of the 1980s, it seemed that defendants would automatically raise the defense based in part on the variety of materiality standards permitted by the Federal Circuit. Further, this dicta enhanced the echo chamber and circularity between the USPTO (through Rule 56) and the courts as to the standards for inequitable conduct. To put a point on it, there should have been no surprise that Rule 56 seemed to encompass the other tests—that was by design as the USPTO attempted to assimilate the *courts’* own decisions. Also in 1984, the Federal Circuit resolved the question as to whether a finding of fraud or inequitable conduct invalidated the patent or only rendered it unenforceable in *J.P. Stevens & Co. v. Lex Tex Ltd.*¹⁵⁰ The court first collapsed “fraud” into “inequitable conduct”—with the

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* at 1571–72.

¹⁴⁸ 725 F.2d 1350 (Fed. Cir. 1984).

¹⁴⁹ *Id.* at 1362–63 (footnote omitted) (citations omitted).

¹⁵⁰ 747 F.2d 1553, 876–77 (Fed. Cir. 1984).

former as a species of the latter—and then held that a finding of inequitable conduct rendered *all* claims of the affected patent unenforceable (although otherwise still valid).¹⁵¹

The next few years saw a continual increase in charges of inequitable conduct in patent litigation, based in part on the Federal Circuit's willingness to review district courts' findings on the matter.¹⁵² Because questions of inequitable conduct were mixed fact and law, the Federal Circuit did not have to show as much deference to the district courts as it would have for questions of pure fact.¹⁵³ By 1988, however, the Federal Circuit signaled its increased unhappiness with the confused state of the doctrine and the incessant use of the defense by patent infringement defendants. Judge Markey admonished that "[i]nequitable conduct' is not, or should not be, a magic incantation to be asserted against every patentee. Nor is that allegation established upon a mere showing that art or information having some degree of materiality was not disclosed."¹⁵⁴ Judge Nichols separately tacked on an additional paragraph to an opinion to inveigh against it:

We add one final word: the habit of charging inequitable conduct in almost every major patent case has become an absolute plague. Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds, to represent their client's interests adequately, perhaps. They get anywhere with the accusation in but a small percentage of the cases, but such charges are not inconsequential on that account. They destroy the respect for one another's integrity, for being fellow members of an honorable profession, that used to make the bar a valuable help to the courts in making a sound disposition of their cases, and to sustain the good name of the bar itself.¹⁵⁵

Finally, in December 1988, the Federal Circuit attempted to bring some order to the doctrine, and hopefully reduce its use, through an *en banc* statement appended to a panel decision in *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*¹⁵⁶ At the heart of the inequitable conduct accusations was an incorrect transcription by one of Kingsdown Medical Consultants' ("Kingsdown") attorneys of a series of previously allowed claims from a parent application to a continuation.¹⁵⁷ The attorney copied over an earlier disallowed version of one of those claims, which in its amended form had been allowed by the examiner.¹⁵⁸ When the patent issued, Kingsdown sued Hollister for infringement.¹⁵⁹ Hollister raised an inequitable conduct defense based

¹⁵¹ *Id.* at 1559, 1561.

¹⁵² *See, e.g., id.* at 1562.

¹⁵³ *Id.*

¹⁵⁴ *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987) (Markey, C.J., majority opinion).

¹⁵⁵ *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988).

¹⁵⁶ 863 F.2d 867 (Fed. Cir. 1988).

¹⁵⁷ *Id.* at 870–71.

¹⁵⁸ *Id.*

¹⁵⁹ *Kingsdown Med. Consultants, Inc. v. Hollister, Inc.*, No. 84 C 6113, 1988 U.S. Dist. LEXIS 19509, at *1 (N.D. Ill. Jan. 25, 1988), *rev'd*, 863 F.2d 867 (Fed. Cir. 1988).

on the incorrect transcription.¹⁶⁰ The United States District Court for the Northern District of Illinois found that the examiner “could have relied” on the Kingsdown attorney’s representation that the carried over claims were simply the allowed claims from the parent application.¹⁶¹ Further, the court found the erroneous language to be material because the claim was only allowed in the parent application in its amended form.¹⁶² The court then found deceitful intent on the grounds that Kingsdown was either grossly negligent or its actions indicated an intent to deceive.¹⁶³ Because the court found inequitable conduct with regard to this one claim, it ruled that the whole patent was unenforceable under the holding in *J.P. Stevens*.¹⁶⁴

The Federal Circuit overturned the decision on the grounds that: i) the erroneous copying was probably not gross negligence; ii) even if the erroneous copying was gross negligence, a finding of gross negligence was not always sufficient to infer deceptive intent; and iii) the acts of the patent attorney did not necessarily indicate deceptive intent.¹⁶⁵ The Federal Circuit was persuaded that the patent attorney’s mistake was understandable given the “ministerial” nature of what was being done, and in light of the fact that neither the examiner nor Hollister noticed the error for a period of years either—even though Hollister had been closely scrutinizing the patent and its prosecution history during that time.¹⁶⁶ It also rejected the district court’s inference of deceitful intent from Kingsdown’s interest and attempts to secure a patent that covered Hollister’s product, provided of course that the prosecution and scope of the patent was otherwise lawful: “It should be made clear at the outset of the present discussion that there is nothing improper, illegal or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor’s product from the market; nor is it in any manner improper to amend or insert claims intended to cover a competitor’s product the applicant’s attorney has learned about during the prosecution of a patent application.”¹⁶⁷ Accordingly, the Federal Circuit found that the district court had abused its discretion and its finding of deceitful intent was clearly erroneous.¹⁶⁸

It was the appended *en banc* “Resolution of Conflicting Precedent” statement that drew the most attention to *Kingsdown*, however.¹⁶⁹ Although the case itself was decided by a panel, the court acknowledged that it could only change precedent by an *en banc* decision, and so the remaining judges of the Federal Circuit joined the panel for the appended statement.¹⁷⁰ In particular, the court resolved the question of whether a finding of gross negligence compelled a court to find an intent to deceive in the context of the inequitable conduct doctrine:

¹⁶⁰ *Id.* at *7–8.

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ *Id.* at *8–10, *13.

¹⁶⁴ *Id.* at *12–13; see *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559–60 (Fed. Cir. 1984).

¹⁶⁵ *Kingsdown Med. Consultants, Inc. v. Hollister, Inc.*, 863 F.2d 867, 873, 876 (Fed. Cir. 1988).

¹⁶⁶ *Id.* at 873.

¹⁶⁷ *Id.* at 874.

¹⁶⁸ *Id.* at 876.

¹⁶⁹ *Id.* at 876–77, 876 n.16.

¹⁷⁰ *Id.* at 876 n.16.

We adopt the view that a finding that particular conduct amounts to “gross negligence” does not of itself justify an inference of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.¹⁷¹

The *en banc* statement also reaffirmed the rule in *J.P. Stevens* that a finding of inequitable conduct as to any claim rendered the whole patent unenforceable.¹⁷²

Further, the *en banc* panel addressed conflicting precedent about whether inequitable conduct was a question of law or fact by asserting instead that “[w]e adopt the . . . view . . . that the ultimate question of whether inequitable conduct occurred is equitable in nature.”¹⁷³ Presumably this still leaves it to the trial judge to make a determination, based on factual inquiry as needed, as opposed to reading the Federal Circuit’s statement here to mean that inequitable conduct must be a matter of fact, because it was rejecting it as a matter of law.¹⁷⁴ In other words, the Federal Circuit’s pronouncement relied on the *tripartite* division of decision making authority in the trial court: fact, law, and equity.¹⁷⁵ Normally, legal commentators and judges concern themselves with determinations of whether something is a question of law or fact.¹⁷⁶ But, of course, equity is traditionally distinct from law, even as the two have become melded in contemporary American jurisprudence and procedure.¹⁷⁷ Thus, the Federal Circuit was carefully reaffirming that inequitable conduct is an *equitable* (and therefore *not* law) matter, which rests all and only with the trial court sitting partially in equity for the patent infringement case.¹⁷⁸ This then also led to the conclusion that a finding of inequitable conduct is at the discretion of the trial court and may only be reviewed by the Federal Circuit under an abuse of discretion standard.¹⁷⁹

The determination that inequitable conduct questions were primarily equitable in nature had far reaching implications. While the Federal Circuit had to date shown a great willingness to review district court findings on inequitable conduct on an almost *de novo* basis—which in turn may have fueled the explosion of inequitable conduct defenses—it was now severely limiting such review: “We, accordingly, will not simply substitute our judgment for that of the trial court in relation to inequitable conduct.”¹⁸⁰ It then quoted one of its own decisions from earlier that year

¹⁷¹ *Id.* at 876 (citing *Norton v. Curtiss*, 433 F.2d 779 (C.C.P.A. 1970)); see discussion *supra* Part I.B (discussion of *Norton*).

¹⁷² *Kingsdown*, 863 F.2d at 877.

¹⁷³ *Id.* at 876.

¹⁷⁴ See *id.* (reviewing an inequitable conduct determination under an abuse of discretion).

¹⁷⁵ *Id.* (“As an *equitable issue*, inequitable conduct is committed to the discretion of the trial court and is reviewed by this court under an abuse of discretion standard.”) (emphasis added).

¹⁷⁶ See, e.g., Kevin Casey et al., *Standards of Appellate Review in the Federal Circuit: Substance and Semantics*, 11 FED. CIR. B.J. 279, 284–87 (2002) (discussing law and fact standards of review).

¹⁷⁷ Dane S. Ciolino, *Reconsidering Restitution in Copyright*, 48 EMORY L.J. 1, 49–50 (1999) (“Despite the merger of law and equity, and the ascendancy of codification, modern courts retain much of their ability to exercise discretion in traditionally equitable matters.”) (citations omitted).

¹⁷⁸ *Kingsdown*, 863 F.2d at 876.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.*

to flesh out the abuse of discretion standard in these cases: “To overturn a discretionary ruling of a district court, the appellant must establish that the ruling is based upon clearly erroneous findings of fact or a misapplication or misinterpretation of applicable law or that the ruling evidences a clear error of judgment on the part of the district court.”¹⁸¹

While *Kingsdown* did seem to slow the proliferation of the inequitable conduct “plague,” its limited holding could not resolve issues over materiality or even questions of deceitful intent outside of negligence or gross negligence.¹⁸² At the same time, growing concern by the patent bar over the evolution of Rule 56 and the IDS Rules throughout the 1980s led to a move to push the USPTO to revise them.¹⁸³ The discussion of the 1992 amendments to these Rules, covered in the next Part, then begins the analysis of the contemporary environment in which patent attorneys must operate and determine what to submit to the USPTO during prosecution.

II. RECENT DEVELOPMENTS AND THE CONTINUING INTERACTION OF INEQUITABLE CONDUCT CASE LAW AND RULE 56

On January 17, 1992, the USPTO issued a final rulemaking to overhaul Rule 56 (the “1992 Rule”).¹⁸⁴ This new version of Rule 56 completely replaced the 1977 Rule, as amended throughout the 1980s, including the very title of the rule, and is the basis for the current Rule 56 (as amended only once in 2000).¹⁸⁵ Continuing the “echo chamber” phenomenon, the 1992 Rule began with essentially a quotation of key language in *Precision Instrument* and then proceeded to once again largely codify existing case law.¹⁸⁶

The 1992 Rule limited Rule 56 to a core duty to disclose—couched as part of the larger duty of candor and good faith—based on a fairly technical definition of materiality.¹⁸⁷ It also shortened what had become a bloated rule under the 1980s amendments.¹⁸⁸ Substantively, it eliminated a former core purpose of the rule:

¹⁸¹ *Id.* (quoting *PPG Indus., Inc. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565, 1572 (Fed. Cir. 1988) (Bissell, J., additional views) (discussing *Amstar Corp. v. Envirotech Corp.*, 823 F.2d 1538, 1542 (Fed. Cir. 1987); *Heat & Control, Inc. v. Hester Indus., Inc.*, 785 F.2d 1017, 1022 (Fed. Cir. 1986); *Seattle Box Co. v. Indus. Crating & Packing Inc.*, 756 F.2d 1574, 1581 (Fed. Cir. 1985)).

¹⁸² *Id.* (“We adopt the view that a finding that particular conduct amounts to ‘gross negligence’ does not of itself justify an inference of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.” (citation omitted)).

¹⁸³ *See supra* note 134 and accompanying text.

¹⁸⁴ Duty of Disclosure, 57 Fed. Reg. 2,021 (Jan. 17, 1992) (to be codified at 37 C.F.R. pt. 1).

¹⁸⁵ *See id.* at 2,034; Changes to Implement the Patent Business Goals, 65 Fed. Reg. 54,604, 54,623, 54,666–54,667 (Sept. 8, 2000) (to be codified at 37 C.F.R. pts. 1, 3, 5 & 10).

¹⁸⁶ *Compare* 37 C.F.R. § 1.56 (1992) (“A patent by its very nature is affected with a public interest.”), *with* *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945) (“A patent by its very nature is affected with a public interest.”).

¹⁸⁷ 37 C.F.R. § 1.56.

¹⁸⁸ *Compare id.* (adding candor and good faith to the disclosure rule), *with id.* § 1.56 (stating that a separate duty of candor and good faith exists).

providing for the USPTO to strike applications in which fraud had been found.¹⁸⁹ It also largely abdicated the USPTO's role in determining fraud, as well as breaches of the broader duty of good faith and candor.¹⁹⁰ Some commentators have suggested that the USPTO sought to "overturn common-law precedents of the Federal Circuit" through the 1992 Rule.¹⁹¹ But this is an odd proposition when one understands that the doctrine of inequitable conduct is an equitable judicial doctrine that accordingly cannot be "overturned" by agency rules.¹⁹² The only non-judicial fix for the doctrine is Congressional action to amend the permissible defenses under 35 U.S.C. § 282.¹⁹³ However, based on the Supreme Court's holding in *Precision Instrument*, even this Congressional fix may not preclude courts from using their discretion in cases invoking their equitable powers—as must always be the case when injunctive or other extraordinary relief is sought—and decline to grant relief to those who come into equity with unclean hands.¹⁹⁴ This power flows simply from the courts' inherent powers—again when sitting even partially in equity—and cannot be abrogated by Congress absent some stripping of the courts' equitable powers (which may or may not be constitutional).¹⁹⁵

Accordingly, what the 1992 Rule really did, in conjunction with the new IDS rules promulgated simultaneously, was to create a pseudo-safe harbor in which if the patent applicant and her attorneys/agents comply with the rules in their disclosure and IDS submissions, the USPTO will deem them to have satisfied their duty of disclosure.¹⁹⁶ This would have the effect of limiting a patent infringement defendant's defense of inequitable conduct as the defendant would seem to have been denied a prima facie case of patentee plaintiff's breach of the duty to disclose. But, it is indeed only a pseudo-safe harbor because the defendant is still free to try to show that the patentee plaintiff (or her attorneys/agents) in fact did not disclose all known material information, or misrepresented or buried disclosed material information. Additionally, the defendant would still be free to show that the patentee plaintiff had engaged in other activities that breached the duty of candor and good faith, even if patentee plaintiff and her attorneys/agents had otherwise complied with the specific duty to disclose.

The 1992 Rule also formally introduced the exemption for disclosure of information that was merely cumulative of other information disclosed.¹⁹⁷ In comments and replies to public comments accompanying the notice of final rulemaking, the USPTO specifically claimed that nothing in the 1992 Rule obligated patent applicants, or their attorneys/agents, to conduct a search of their files for

¹⁸⁹ Compare 37 C.F.R. § 1.56 (1992) (stating that any fraud or attempted fraud on the USPTO can result in an application being stricken), with 37 C.F.R. § 1.56 (1991) (omitting any reference to fraud on the USPTO or failure to disclose as reasons for striking an application).

¹⁹⁰ Duty of Disclosure, 57 Fed. Reg. at 2,021.

¹⁹¹ See 1 R. CARL MOY, MOY'S WALKER ON PATENTS § 2.9, at 2-23 n.2 (4th ed. 2008) (citation omitted).

¹⁹² See *Kingsdown Med. Consultants, Inc. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) ("[T]he ultimate question of whether inequitable conduct occurred is equitable in nature.")

¹⁹³ See 35 U.S.C. § 282 (2006) (providing statutory defenses to infringement).

¹⁹⁴ See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814-15 (1945).

¹⁹⁵ See U.S. CONST. art. 3, § 2, cl. 1 ("The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution . . .").

¹⁹⁶ 37 C.F.R. §§ 1.56, 1.97 (1992); Duty of Disclosure, 57 Fed. Reg. at 2,022, 2,034-2,035.

¹⁹⁷ Duty of Disclosure, 57 Fed. Reg. at 2,022, 2,034.

material information.¹⁹⁸ Instead, all that was required was disclosure of information contemporaneously known to be material.¹⁹⁹ However, the USPTO seemed to vacillate in these non-binding comments between making it clear that immaterial information was not required to be submitted, on the one hand, but that the applicant and attorney/agents should “submit information for consideration by the Office in applications rather than making and relying on their own determinations of materiality.”²⁰⁰ It is unclear whether this was intended to overturn the USPTO’s 1977 Rule guidance that specifically incorporated the *TSC Northway* securities case statement that too much information—an avalanche of trivial information—could be as much of a fraud or problem for investors as too little information, or outright misstatements.²⁰¹ Analogously, the USPTO and courts had already developed the prohibition on “burying” material information in a host of other less material information.²⁰² The USPTO’s comments in the 1992 rulemaking can be reconciled with the prohibition on burying by concluding that the USPTO was only allowing/encouraging applicants to submit borderline information such that the applicant could reduce its chances of being found to have engaged in inequitable conduct later in litigation. Presumably this permissiveness for relatively immaterial information would still be bounded by any intentional effort by applicants to bury highly material information in an avalanche of information of dubious relevance, in the hopes that the examiner would miss or gloss over the highly material reference. The USPTO’s interest in allowing borderline material information also seemed to be based on its stated intent to give cover to applicants that they were not representing that all submitted information was in fact material, and thus creating a prima facie case of unpatentability.²⁰³ The applicant could thus claim that it was merely being fulsome in its disclosure—and not engaging in any fraudulent attempt to bury critical references.

The 1992 rulemaking also amended section 1.63 so that the oath of applicant had to include a statement that the applicant “Acknowledges the duty to disclose to the Office all information known to the person to be material to patentability as defined in § 1.56” as well as that the applicant acknowledged this duty in a continuation-in-part application as to material information “which became available between the filing of the prior application and the national or PCT international filing date of the continuation-in-part application.”²⁰⁴ The rulemaking moved the former Rule 56 provisions regarding oaths signed in blank, or for applications later altered, or only partially filled in, to a new subsection of section 1.67.²⁰⁵ Finally, the 1992 rulemaking substantially revised and restated the IDS Rules.²⁰⁶

¹⁹⁸ *Id.* at 2,027 (Comment 33 Reply).

¹⁹⁹ *Id.* at 2,025 (Comment 16 Reply).

²⁰⁰ *Id.* at 2,023–2,024 (Comment 4 Reply).

²⁰¹ *See* Patent Examining and Appeal Procedures, 42 Fed. Reg. 5,588, 5,589–5,590 (Jan. 28, 1977) (to be codified at 37 C.F.R. pt. 1) (citing *TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 448–49 (1976)).

²⁰² *See id.*

²⁰³ Duty of Disclosure, 57 Fed. Reg. at 2,023.

²⁰⁴ *Id.* at 2,034.

²⁰⁵ *Compare id.* at 2,021 (amending Rule 67 to include supplemental oaths and variations), *with* 37 C.F.R. § 1.56 (1991) (listing conduct regarding blank oaths within Rule 56).

²⁰⁶ Duty of Disclosure, 57 Fed. Reg. at 2,034–2,035.

Following the 1992 Rule and *Kingsdown*, it seemed as if the expansive use of the inequitable conduct defense was finally ratcheted back. However, a line of cases emerged involving fact patterns with hidden or obscured relationships between experts submitting affidavits on behalf of applicants and the applicants themselves. Thus, the 1993 Federal Circuit decision in *Paragon Podiatry Laboratory, Inc. v. KLM Laboratories, Inc.*, upheld the dismissal of Paragon's infringement case against KLM by the district court on summary judgment for unenforceability of the patent due to inequitable conduct, as well as because the patent was invalid on other grounds.²⁰⁷ During prosecution, the examiner was unconvinced about the non-obviousness of the invention and entered a note into the file following an applicant interview that the applicant would submit Rule 132 affidavits from "disinterested third parties."²⁰⁸ The applicant then submitted affidavits from three experts, all of whom had been paid consultants to, and/or held stock in, the applicant's company.²⁰⁹ During litigation, the patent attorney averred that he knew of the relationship, but believed in good faith that the facts did not make the experts "interested parties."²¹⁰ The district court and Federal Circuit rejected this as both an unreasonable judgment on the part of the attorney and highly suspect as the attorney only raised these claims in the context of litigation.²¹¹ Further, both courts found a "deliberate artfulness" in the expert affidavits' statements with regard to interest in the applicant/patent, which statements read: "I have not been in the past employed by nor do I intend in the future to become employed by Paragon Podiatry Laboratories, a corporation which I understand is the assignee of the interest in the above captioned patent application."²¹² The Federal Circuit asserted that the only purpose of the "gratuitous" averment that the affiant "understood" that applicant was assignee of the patent was to further convey the impression that the affiants had no connection with the applicant or knowledge of the circumstances of the patent before being asked to be affiants.²¹³ Accordingly, it found that the district court had not abused its discretion in finding intent to deceive the USPTO.²¹⁴ Because materiality of the information was not disputed, the Federal Circuit affirmed the lower court's finding of inequitable conduct.²¹⁵

Paragon also contested the dismissal of the case on summary judgment.²¹⁶ It argued that a finding of inequitable conduct could not be made on summary judgment and instead required the fact finding of a jury.²¹⁷ The Federal Circuit rejected this, citing its own case law while admonishing against an over reading of that case law.²¹⁸ The court took the opportunity to once again hammer home the

²⁰⁷ 984 F.2d 1182, 1184, 1193 (Fed. Cir. 1993) (per curiam).

²⁰⁸ *Id.* at 1191.

²⁰⁹ *Id.*

²¹⁰ *Id.* at 1192.

²¹¹ *Id.*

²¹² *Id.* at 1191–92.

²¹³ *Id.* at 1192.

²¹⁴ *Id.* at 1191–92.

²¹⁵ *Id.* at 1188–89, 1192.

²¹⁶ *Id.* at 1189–90.

²¹⁷ *Id.*

²¹⁸ *Id.* at 1190. The Federal Circuit cited its statements from both *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) ("A summary judgment that a reputable attorney has been guilty of inequitable conduct, over his denials, ought to be, and can properly be, *rare*

nature of inequitable conduct as an equitable doctrine, and thus entirely at the discretion of the trial court judge: “The defense of inequitable conduct in a patent suit, being entirely equitable in nature, is not an issue for a jury to decide.”²¹⁹ That there are findings of fact required for a determination of inequitable conduct does not mean that a jury need be used for this function.²²⁰ The judge can use his or her own fact finding capacity to rule on inequitable conduct at any time, including upon motion for summary judgment.²²¹ To counter Paragon’s argument that it was entitled to a trial by jury on the issue of inequitable conduct, the court cited Supreme Court precedent to the contrary.²²² Accordingly, the Federal Circuit once again affirmed the tripartite nature of court powers in patent suits: matters of fact, matters of law, and matters of equity.²²³ The latter two are squarely and exclusively within the power of the judge to decide, and for matters of equity, the judge can engage in her own fact finding, as needed, to decide the matter.²²⁴

Finally, the Federal Circuit also upheld the district court’s finding of inequitable conduct based on Paragon’s withholding of clear evidence of commercial sales that triggered the on-sale bar of 35 U.S.C. § 102(b) (which was also the basis for the trial court’s finding of patent invalidity and affirmed by the Federal Circuit).²²⁵ The Federal Circuit noted that the findings of inequitable conduct on the basis of the misleading Rule 132 affidavits was sufficient to hold the patent unenforceable.²²⁶ But, it also ruled on the withholding of evidence of commercial sales issue as it was cumulative to the district court’s finding of inequitable conduct and unenforceability of the patent, and ultimately, part of the reason for its grant of summary judgment in favor of defendant KLM.²²⁷

Following this decision, the Federal Circuit also upheld a district court finding of inequitable conduct and patent unenforceability based on faulty affidavits in the 1996 case of *Refac International, Ltd. v. Lotus Development Corp.*²²⁸ The applicant had submitted an affidavit from one of the co-inventors to overcome the examiner’s rejection of inadequate disclosure under 35 U.S.C. § 112, which the examiner rejected as “self serving.”²²⁹ The applicant then submitted three affidavits from purportedly

indeed.”), and *KangaROOS U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571, 1577 (Fed. Cir. 1985) (“Although the intent element of fraud or inequitable conduct may be proven by a showing of acts the natural consequences of which were presumably intended by the actor, this requires the fact finder to evaluate all the facts and circumstances in each case. Such an evaluation is *rarely* enabled in summary proceedings.”), to show that it had never closed the door on summary judgment based on inequitable conduct, but rather merely had been pointing out that it entailed a high bar and thus should be rare. *Paragon Podiatry Lab.*, 984 F.2d at 1190.

²¹⁹ *Paragon Podiatry Lab.*, 984 F.2d at 1190 (citation omitted).

²²⁰ *Id.*

²²¹ *Id.*

²²² *Id.* The court cited *Ross v. Bernhard*, 396 U.S. 531, 538 (1970) (“The *Seventh Amendment* question depends on the nature of the issue to be tried rather than the characteristic of the overall action.”), and *United States v. Louisiana*, 339 U.S. 699, 706 (1950) (“*Seventh Amendment* applicable to actions at law not equity actions.”). *Paragon Podiatry Lab.*, 984 F.2d at 1190.

²²³ *See Paragon Podiatry Lab.*, 984 F.2d at 1190.

²²⁴ *Id.*

²²⁵ *Id.* at 1188, 1193.

²²⁶ *Id.* at 1192.

²²⁷ *Id.* at 1192, 1192 n.9.

²²⁸ 81 F.3d 1576, 1584 (Fed. Cir. 1996).

²²⁹ *Id.* at 1578.

independent or disinterested practitioners in the relevant field of art to attest that they could practice the invention from the proposed disclosure in the application.²³⁰ The district court found that all three had some prior connection with the applicant and/or inventors that was not disclosed.²³¹ Two of the undisclosed relationships were found not to be material, but the third involved undisclosed employment with the applicant up to six months before filing the affidavit.²³² The employment turned out to have included exposure to, and training in, the very computer system at issue in the invention.²³³ On apparently a “two out of three ain’t bad” theory, the applicant claimed that the problematic affidavit was merely cumulative of the two found to have immaterial omissions.²³⁴ However, both the district court and the Federal Circuit rejected this notion:

“We decline to place submitted cumulative affidavits in the same status as unsubmitted cumulative prior art. While it is not necessary to cite cumulative prior art because it adds nothing to what is already of record (although it may be prudent to do so), one cannot excuse the submission of a misleading affidavit on the ground that it was only cumulative. Affidavits are inherently material, even if only cumulative. The affirmative act of submitting an affidavit must be construed as being intended to be relied upon.²³⁵

Further, both courts rejected Refac’s argument that because the materially misleading affidavit was not the sole source of the examiner’s ultimate allowance of the patent, the patent should not be rendered unenforceable just because one piece of the total submissions was misleading.²³⁶ Refac also earned the “chutzpah award” from the Federal Circuit by arguing that the materially misleading affidavit actually had no probative value because it was merely the “opinion” of the affiant and not factual.²³⁷

By the mid 1990s, a potential drawback to the Federal Circuit’s *Kingsdown en banc* statement became apparent. While an insufficiently deferential Federal Circuit may have encouraged defendants to raise inequitable conduct defenses because they could essentially re-litigate them on appeal if unsuccessful, an overly deferential Federal Circuit might *also* unwittingly encourage defendants to raise the inequitable conduct defense because district courts were showing a strong openness to it, and favorable findings were unlikely to be overturned under the more deferential standard.²³⁸ Some have suggested that district courts—especially those with little experience in patent cases and/technology issues—may actually welcome things like the inequitable conduct defense because they rely on fact finding the court may be

²³⁰ *Id.* at 1578–79.

²³¹ *See id.* at 1579–80.

²³² *Id.*

²³³ *Id.* at 1580.

²³⁴ *Id.*

²³⁵ *Id.* at 1583.

²³⁶ *Id.* at 1584–85.

²³⁷ *Id.* at 1584 (citation omitted).

²³⁸ *See Kingsdown Med. Consultants, Inc. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (reviewing an inequitable conduct determination under an abuse of discretion standard).

more comfortable with, e.g., bad actions, deceit, misrepresentation.²³⁹ A decision on a ground like this could allow the court to avoid the harder issues of the intricacies of patent law and the underlying technology.²⁴⁰

One surprising outcome of the 1992 revisions, however, was that it was not immediately clear whether courts should replace the materiality standard of the 1977 Rule, as amended, with that of the 1992 Rule for patents prosecuted after the 1992 Rule took effect.²⁴¹ One might presume that the new standard should apply, if for no other reason than that this was to be the standard that patent attorneys/agents would be bound by. At the same time, however, because inequitable conduct is a purely equitable doctrine it does not technically rely on compliance with non-equitable rules such as the USPTO’s Rule 56.²⁴² In fact, district courts and the Federal Circuit would arguably be bound by precedent to apply the existing reasonable examiner standard, until or unless the Federal Circuit properly overturned it, presumably in an *en banc* decision.²⁴³ Even as late as 2003 the Federal Circuit seemed to be dodging the issue.²⁴⁴ For example, in the first of the mid 2000s controversial inequitable conduct decisions, the Federal Circuit discussed but did not decide the issue in *Dayco Products, Inc. v. Total Containment, Inc.*²⁴⁵ It was not until 2006 that the Federal Circuit finally resolved the issue in *Digital Control Inc. v. Charles Machine Works*.²⁴⁶ Based in large part on the position the Supreme Court left the courts in since its 1945 *Precision Instruments* decision, the Federal Circuit held that any of the existing materiality standards could be applied in a particular case:

For many years, we have held “that materiality for purposes of an inequitable conduct determination requires a showing that ‘a reasonable examiner would have considered such prior art important in deciding whether to allow the parent application.’” This standard is based in part on the standard of materiality articulated in the PTO’s *Rule 56*, which describes the duty of candor and good faith, otherwise known as the duty of disclosure, before the PTO. However, in 1992, the PTO amended *Rule 56*, creating an arguably narrower standard of materiality. . . .

²³⁹ See, e.g., Kenneth R. Adamo, *Recent Developments in Inequitable Conduct/The (Statutory) Duty of Disclosure/Fraud on the P.T.O.*, 73 J. PAT. & TRADEMARK OFF. SOC’Y 110, 119 (1991); Edward V. Filardi & Mark D. Baker, *Practitioner Perspectives on the Law of Inequitable Conduct, Claim Construction, and the Doctrine of Equivalents*, 54 CASE W. RES. L. REV. 823, 845 (2004).

²⁴⁰ See Adamo, *supra* note 239, at 119; Filardi & Baker, *supra* note 239, at 845.

²⁴¹ Under *Molins PLC v. Textronix, Inc.*, 48 F.3d 1172, 1179 n.8 (Fed. Cir. 1995), courts were to still apply the 1977 Rule materiality standard for patents prosecuted before the 1992 Rule took effect.

²⁴² See *Kingsdown*, 863 F.2d at 876 (“[T]he ultimate question of whether inequitable conduct occurred is equitable in nature.”); Duty to disclose information material to patentability, 37 C.F.R. § 1.56(a) (requiring adherence to the rule to be granted a patent).

²⁴³ See *id.* at 876 n.16 (stating that an *en banc* court is required to change precedent).

²⁴⁴ Of course, some delay would be expected as litigation over patents prosecuted after the 1992 Rule went into effect would not commence right away.

²⁴⁵ 329 F.3d 1358, 1363–64 (Fed. Cir. 2003) (“[W]e have not decided whether the standard for materiality in inequitable conduct cases is governed by equitable principles or by the Patent Office’s rules.”).

²⁴⁶ 437 F.3d 1309, 1316 (Fed. Cir. 2006).

Although we have affirmed findings of materiality based upon the new *Rule 56* standard, we have declined to address whether the new *Rule 56* standard replaced the old “reasonable examiner” standard

However, this is not the first time that this court has been faced with applying more than one standard of materiality. The inequitable conduct doctrine, a judicially created doctrine, was borne out of a series of Supreme Court cases in which the Court refused to enforce patents whereby the patentees had engaged in fraud in order to procure those patents. Although the Supreme Court did not articulate precisely what rendered a patent unenforceable, the courts generally tended to apply a doctrine somewhat akin to that of common law fraud, albeit broader. That is, the courts required a showing that the information that was misrepresented to or withheld from the PTO was material and a showing of wrongfulness, such as deceptive intent, willful misconduct, or gross negligence. In 1949, the PTO created its first version of *Rule 56*, prohibiting fraud before the PTO.

However, neither the Supreme Court nor the PTO articulated exactly what constituted a material misrepresentation. . . .

. . . .

Even though the PTO’s “reasonable examiner” standard became the dominant standard invoked by this court, in no way did it supplant or replace the case law precedent. Rather it provided an additional test of materiality, albeit a broader and all-encompassing test. Similarly, the PTO’s recent adoption of an arguably narrower standard of materiality does not supplant or replace our case law. Rather, it merely provides an additional test of materiality. That is, if a misstatement or omission is material under the new *Rule 56* standard, it is material. Similarly, if a misstatement or omission is material under the “reasonable examiner” standard or under the older three tests, it is also material. . . .²⁴⁷

Dayco and *Digital Control* set the stage for the second controversial inequitable conduct decision in 2007’s *McKesson Information Solutions, Inc. v. Bridge Medical, Inc.*²⁴⁸ At issue were co-pending applications with substantially similar claims.²⁴⁹ The patent attorney disclosed the co-pending application to the examiner, but failed to update him when the examiner in the co-pending application introduced a highly material new piece of prior art, rejected some claims, and ultimately allowed some substantially similar claims (which could have presented a double patenting problem).²⁵⁰ The attorney professed to having no recollection of the prosecution and kept no records of details of the prosecution.²⁵¹ Such records or recollection might have provided a plausible, legitimate reason for the various decisions and thus mitigated a finding of intent to deceive.²⁵² The attorney further claimed that, upon reviewing the prior art at issue again in the context of litigation, the prior art was

²⁴⁷ *Id.* at 1314–16 (citations omitted).

²⁴⁸ 487 F.3d 897 (Fed. Cir. 2007).

²⁴⁹ *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, No. CIV. S-02-2669 FCD KJM, 2006 U.S. Dist. LEXIS 76517, at *4, *6, *16 (E.D. Cal. June 13, 2006), *aff’d*, 487 F.3d 897 (Fed. Cir. 2007).

²⁵⁰ *Id.* at *6–9.

²⁵¹ *Id.* at *15–16, *43.

²⁵² *Id.* at *43.

merely cumulative of other references before the examiner.²⁵³ Overall, the attorney claimed that he would likely make all the same decisions if he were prosecuting the patent again today.²⁵⁴ The district court found the prior art not cumulative and highly material.²⁵⁵ It also found the co-pending rejections and allowances to be material.²⁵⁶ The Federal Circuit found no clear error in these findings.²⁵⁷

As to intent, the district court weighed out all the evidence, giving “credit” for the attorney’s disclosure of the co-pending application itself, but still finding the bad acts to overwhelm that one positive fact.²⁵⁸ In particular, the district court found the lack of a paper trail for the attorney’s decisions to be quite troubling, especially given the advice of the version of the MPEP in effect at the time which encouraged attorneys to record their reasons for specifically considering and discarding information as not material in their files.²⁵⁹ The Federal Circuit found no clear error to any of this either.²⁶⁰

Of note, the Federal Circuit strongly rejected McKesson’s argument that *Dayco* had “changed” the law with regard to the need to disclose office actions in co-pending applications, and that this “new law” could not be expected to have been adhered to by patent applicants and their attorneys in the 1980s when the patents at issue were prosecuted.²⁶¹ The Federal Circuit instead pointed to sections of the MPEP in effect during that prosecution which clearly indicated that co-pending application office actions should be disclosed.²⁶² The court acknowledged that the MPEP does not have the force of law, but the point was that the patent attorney knew or should have known that office actions in similar co-pending applications were likely to be material and thus needed to be disclosed.²⁶³

McKesson was not a unanimous decision of even its three judge panel (Judges Clevenger, Bryson, and Newman). Judge Newman issued a vigorous dissent, arguing that the attorney’s failure to disclose office actions in co-pending applications—where the co-pending applications themselves had been disclosed to the examiner—was hardly clear and convincing evidence of intent to deceive.²⁶⁴ She warned that this decision would “return[] to the ‘plague’ of encouraging unwarranted charges of inequitable conduct, spawning the opportunistic litigation that here succeeded despite consistently contrary precedent.”²⁶⁵ While it is not clear that *McKesson* does in fact contravene Federal Circuit precedent, it does seem to underscore a growing sense that the *Kingsdown* consensus is breaking down. This is particularly problematic given the standard use of three judge panels to decide appeals at the

²⁵³ *Id.* at *16, *42.

²⁵⁴ *Id.* at *70.

²⁵⁵ *Id.* at *34.

²⁵⁶ *Id.* at *57.

²⁵⁷ *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 487 F.3d 897, 915–16 (Fed. Cir. 2007).

²⁵⁸ *McKesson*, 2006 U.S. Dist. LEXIS 76517, at *69–71.

²⁵⁹ *See id.* at *43, *48–49.

²⁶⁰ *McKesson*, 487 F.3d at 918–19.

²⁶¹ *Id.* at 922–23.

²⁶² *Id.*

²⁶³ *Id.* at 923.

²⁶⁴ *Id.* at 926 (Newman, J., dissenting).

²⁶⁵ *Id.* at 926–27.

Federal Circuit.²⁶⁶ It means that, as in *McKesson*, as few as two judges can decide an appeal. Given the different personalities on the court, this possible fragmenting of the *Kingsdown* consensus could in fact encourage spurious or opportunistic inequitable conduct defenses because defendants may see it as worth their time to take a chance on getting two out of three favorable judges on their appellate panel.

Following *McKesson*, the Federal Circuit decided *Monsanto Co. v. Bayer Bioscience N.V.* in January 2008, which became the third controversial inequitable conduct decision.²⁶⁷ The court affirmed the district court's finding of inequitable conduct based on the failure of Bayer's patent attorneys to disclose highly material notes written by one of Bayer's scientists, Dr. Celestina Mariani.²⁶⁸ Her notes extensively described the contents of a poster (the "Barnes Poster") delivered at a large scientific conference which she attended.²⁶⁹ While the poster was not distributed, an abstract (the "Barnes Abstract") was made publicly available.²⁷⁰ However, it did not give the same level of detail about the *Bacillus thuringiensis* ("Bt") genetic insecticide technology as the poster and presentation did.²⁷¹ Bayer's patent attorney was aware of both the Barnes Abstract and Dr. Mariani's detailed notes of the Barnes Poster and presentation while prosecuting the patent.²⁷² However, all he disclosed to the USPTO was the Barnes Abstract.²⁷³

The procedural background of the case is a bit more complicated than generally discussed by commentators. Monsanto had initially brought a declaratory judgment action in the U.S. District Court for the Eastern District of Missouri against Bayer only for a declaration that it was not infringing U.S. Patent Nos. 5,545,565 (the "565 Patent"), 5,767,372 (the "372 Patent"), 6,107,546 (the "546 Patent"), and 5,254,799 (the "799 Patent").²⁷⁴ Bayer then counterclaimed that Monsanto had indeed infringed the patents.²⁷⁵ Based on this counterclaim of infringement, Monsanto could then raise the inequitable conduct defense ("inequitable conduct" is not an independent claim that declaratory judgment action plaintiffs can raise without the patent owner itself coming to equity with its own claims).²⁷⁶ However, following the *Markman* hearing in the case, Monsanto first submitted a motion for summary judgment on non-infringement and invalidity of the patents.²⁷⁷ The court ruled that:

²⁶⁶ See 28 U.S.C. § 46(c) (2006) (providing for panels of three judges unless sitting en banc, or the Federal Circuit local rules provides otherwise); FED. R. APP. P. 47.2(a) ("Cases and controversies will be heard and determined by a panel consisting of an odd number of at least three judges.").

²⁶⁷ 514 F.3d 1229 (Fed. Cir. 2008) [hereinafter *Monsanto II*].

²⁶⁸ *Id.* at 1241–42.

²⁶⁹ *Id.* at 1235–36; *Monsanto Co. v. Bayer Bioscience N.V.*, No. 4:00CV01915 ERW, 2006 U.S. Dist. LEXIS 97254, at *32–39 (E.D. Mo. Aug. 28, 2006) [hereinafter *Monsanto II*], *aff'd*, 514 F.3d 1229 (Fed. Cir. 2008).

²⁷⁰ *Monsanto II*, 2006 U.S. Dist. LEXIS 97254, at *48–49.

²⁷¹ *Id.* at *27, *32–40.

²⁷² *Id.* at *19–20, *25–26.

²⁷³ *Id.* at *26.

²⁷⁴ See *Monsanto Co. v. Bayer Bioscience, N.V.*, 264 F. Supp. 2d 852, 853 (E.D. Mo. 2002), *rev'd*, 363 F.3d 1235 (Fed. Cir. 2004).

²⁷⁵ *Id.*

²⁷⁶ See *id.*; see also *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1560–61 (Fed. Cir. 1984) (stating that inequitable conduct is a defense to a patent infringement suit).

²⁷⁷ *Monsanto Co. v. Aventis Cropscience, N.V.*, No. 4:00CV01915 ERW, 2002 U.S. Dist. LEXIS 27417, at *4–5 (E.D. Mo. Dec. 13, 2002), *rev'd sub nom. Monsanto Co. v. Bayer Bioscience, N.V.*, 363 F.3d 1235 (Fed. Cir. 2004).

i) Monsanto did not infringe the '799 Patent and the '565 Patent in their entireties; ii) Monsanto did not infringe one claim of the '372 Patent; iii) the '546 Patent was invalid; and iv) some claims of the '372 Patent were invalid.²⁷⁸ Monsanto then brought another motion for summary judgment claiming that the remaining patent claims were unenforceable for inequitable conduct.²⁷⁹ In particular, it alleged that another of Bayer's scientists, Stefan Jansens, had submitted a false declaration to the USPTO to overcome initial rejections of the relevant claims by the examiner.²⁸⁰ At this point there was no mention of Dr. Mariani and the Barnes Poster/Abstract.²⁸¹ The court granted this motion, as well as a third one that sought collateral estoppel holding some of the patent claims invalid based on an earlier case involving the parties.²⁸²

Bayer appealed all three rulings and the Federal Circuit reversed and remanded on all three (“*Monsanto I*”).²⁸³ On the inequitable conduct ruling, the Federal Circuit remanded on the basis that there was a question of fact regarding the circumstances of Jansens' declaration.²⁸⁴ On remand, Bayer dismissed all its claims with regard to infringement of the '799 Patent, '372 Patent, and '546 Patent and submitted a stipulation of non-assertion of these patents against Monsanto.²⁸⁵ This was likely an attempt to preserve the patents from being held unenforceable in the instant proceeding, which would render them unenforceable as against all other parties as well.²⁸⁶ However, the lower court still entered a ruling that all four patents were unenforceable for inequitable conduct and did not revisit the questions of infringement and validity.²⁸⁷ To demonstrate its thoroughness this time, the lower court issued an unpublished 99 page slip opinion that outlined in excruciating detail all the ways in which it believed that Bayer representatives had intentionally deceived the USPTO.²⁸⁸ Introduced in this opinion was an additional focus on Dr. Mariani and her notes. Jansens still figured prominently in the narrative, but

²⁷⁸ *Id.* at *32–34.

²⁷⁹ *Monsanto Co. v. Bayer Bioscience, N.V.*, 264 F. Supp. 2d 852, 853 (E.D. Mo. 2002) [hereinafter *Monsanto I*], *rev'd*, 363 F.3d 1235 (Fed. Cir. 2004).

²⁸⁰ *See id.* at 855–57.

²⁸¹ *See generally Monsanto II*, No. 4:00CV01915 ERW, 2006 U.S. Dist. LEXIS 97254 (E.D. Mo. Aug. 28, 2006) (discussing Bayer's conduct in light of the Barnes Poster/Abstract), *aff'd*, 514 F.3d 1229 (Fed. Cir. 2008).

²⁸² *Monsanto I*, 264 F. Supp. 2d at 862; *Aventis Cropscience*, 2002 U.S. Dist. LEXIS 27417, at *6–8, *32–34 (referring to *Plant Genetic Sys., N.V. v. DeKalb Genetics Corp.*, 175 F. Supp. 2d 246 (D. Conn. 2001), *aff'd*, 315 F.3d 1335 (Fed. Cir. 2003)).

²⁸³ *Monsanto Co. v. Bayer Bioscience, N.V.*, 363 F.3d 1235, 1237 (Fed. Cir. 2004) [hereinafter *Monsanto I*].

²⁸⁴ *Id.* at 1242.

²⁸⁵ *Monsanto II*, 514 F.3d 1229, 1242 (Fed. Cir. 2008); *Monsanto II*, 2006 U.S. Dist. LEXIS 97254, at *154. Bayer's strategy seemed to be to focus on the '565 Patent because it was the only one in which Jansens' USPTO declaration and later discredited affidavits to the court were not implicated. *See Monsanto II*, 2006 U.S. Dist. LEXIS 97254, at *155. In fact, Bayer sought and obtained a ruling from the court that Jansens' actions would not be considered to “infect” the '565 Patent's prosecution. *Id.* at *154.

²⁸⁶ *See id.*; *Kingsdown Med. Consultants, Inc. v. Hollister, Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988) (“When a court has finally determined that inequitable conduct occurred in relation to one or more claims during prosecution of the patent application, the entire patent is rendered unenforceable.”).

²⁸⁷ *Monsanto II*, 2006 U.S. Dist. LEXIS 97254, at *160–70.

²⁸⁸ *See generally id.* (outlining the court's determination of Bayer's inequitable conduct).

because his actions were limited to the '799 Patent, '372 Patent, and '546 Patent, the Mariani evidence was central to the court's finding of specific facts that showed inequitable conduct with regard to the '565 Patent.²⁸⁹

Bayer appealed again, this time on two grounds: a) the lower court improperly found inequitable conduct with regard to the '565 Patent; and ii) the lower court did not have jurisdiction to find the other patents unenforceable once they were dismissed by Bayer for its infringement claims.²⁹⁰ Bayer did not appeal the findings on inequitable conduct with regard to these other patents, perhaps because of the lower court's damning statements about Jansens' and other Bayer representatives' actions with regard to their prosecution.²⁹¹ Accordingly, the Federal Circuit reviewed only the Mariani evidence and the '565 Patent inequitable conduct findings on their merits, while reviewing the inequitable conduct rulings on the other patents purely on jurisdictional grounds ("*Monsanto II*").²⁹²

The court relied on its own precedent in *Nilssen v. Osram Sylvania Products, Inc.*,²⁹³ to hold that the lower court had jurisdiction to hold the dismissed patents unenforceable for inequitable conduct.²⁹⁴ In *Nilssen*, the court held that four patents which had been withdrawn from an infringement suit by the patentee plaintiff just before trial started were still properly within the lower court's jurisdiction for purposes of inequitable conduct findings.²⁹⁵ First, some of the patents were substantially linked to other patents still at issue, and so the Federal Circuit asserted that where inequitable conduct with regard to some patent applications could "infect" related applications, then the patents that were at the center of the possibly inequitable activities would of necessity need to be examined for inequitable conduct prior to resolution of that issue for the other related patents.²⁹⁶ It is not clear whether the *Nilssen* court would have gone so far to say that a court could use its inherent equitable powers to pull into the suit patents that were never invoked by either the plaintiff or defendant. That would seem draconian and unwarranted. In the suit at hand, however, the patentee plaintiff had originally asserted the four patents and withdrew them "only shortly before trial at the last minute."²⁹⁷ Accordingly, the court may also have been attempting to discourage patentee plaintiffs from playing fast and loose with the patents they assert, all contingent on which ones seem to get the most traction during the proceedings and which ones may be too susceptible to being ruled unenforceable for inequitable conduct. Alternately, there may be an underlying principle that once a patentee plaintiff opens the door and puts a patent into play, it cannot simply withdraw it when things do not go well.

Back to the facts at issue in *Monsanto II*, Bayer argued that the prosecution of the '565 Patent was completely cabined from the prosecution of the other withdrawn patents such that Jansens' activities could not have "infected" the '565 Patent and

²⁸⁹ *Id.* at *155, *166–69.

²⁹⁰ *See Monsanto II*, 514 F.3d 1229, 1231 (Fed. Cir. 2008).

²⁹¹ *See Monsanto II*, 2006 U.S. Dist. LEXIS 97254, at *86 ("Mr. Jansens is not skillful in his attempts to manipulate the truth before this Court.").

²⁹² *Monsanto II*, 514 F.3d at 1231.

²⁹³ 504 F.3d 1223 (Fed. Cir. 2007).

²⁹⁴ *Monsanto II*, 514 F.3d at 1243.

²⁹⁵ *Nilssen*, 504 F.3d at 1230.

²⁹⁶ *Id.*

²⁹⁷ *Id.*

thus there were no grounds for the lower court to consider them for inequitable conduct on the way to determining that issue for the '565 Patent which remained in play.²⁹⁸ While both the lower court and the Federal Circuit essentially agreed that Jansens' activities with regard to the other patents could not have infected the '565 Patent, the Federal Circuit upheld the lower court's jurisdiction over the other patents on the basis that Monsanto had filed a motion for attorneys fees under 35 U.S.C. § 285, based on inequitable activities with regard to the other patents before they were withdrawn by Bayer.²⁹⁹ Thus, while inequitable conduct still seems to have no standing as an independently actionable claim, it can be kept alive through either the “infectious inequitable conduct” theory or a motion for attorneys fees so long as those were instituted at any time while the patents were being asserted in litigation by the patentee.³⁰⁰ In other words, once a patentee has put any patents into play in litigation proceedings, it may not be able to withdraw them entirely for purposes of inequitable conduct findings. Further, in discussing *Nilssen*, the *Monsanto II* court also asserted in dicta that a court is compelled by law to declare patents unenforceable whenever it makes a finding on inequitable conduct.³⁰¹ Thus, in *Nilssen* where the findings of inequitable conduct on the withdrawn patents were arguably done only as a collateral matter, the simple fact that they were properly and necessarily done still compelled the court to enter a ruling of unenforceability.³⁰²

The focus on *Monsanto II* by practitioners and commentators, however, has been overwhelmingly on the nature of the Mariani evidence and notes.³⁰³ But this only first appeared in the lower court's remand opinion.³⁰⁴ Further, because Bayer did not dispute the lower court's findings of inequitable conduct with regard to the '799 Patent, '372 Patent, and '546 Patent, but rather contested only whether the lower court had jurisdiction to make these findings and/or hold the patent unenforceable, once the Federal Circuit decided the jurisdictional issue as a matter of law, there was no need to review the Jansens evidence.³⁰⁵ Accordingly, this led to the somewhat odd result that the two Federal Circuit appeals in the case discuss different characters and specific events. Mariani's notes appear nowhere in *Monsanto I*, while Jansens'

²⁹⁸ See Brief of Defendant-Appellant Bayer Bioscience at 24–27, *Monsanto II*, No. 2007-1109 (Fed. Cir. Mar. 8, 2007). For the *realpolitik* observer, it may be interesting to read the 99 page lower court slip opinion in which Judge Webber excoriates Jansens and other Bayer representatives. See generally *Monsanto II*, No. 4:00-cv-01915-ERW, 2006 U.S. Dist. LEXIS 97254 (E.D. Mo. August 28, 2006), *aff'd*, 514 F.3d 1229 (Fed. Cir. 2008) (discussing Jansens and other Bayer representatives conduct). Judge Webber asserts that Jansens not only intentionally deceived the USPTO but that as a witness Jansens was also lying to and trying to deceive the court. *E.g.*, *id.* at *61 (“Mr. Jansens is evasive and is not a believable witness.”). Accordingly, Judge Webber may have been more inclined to do everything in his power to keep Jansens' misdeeds in the record, even though arguably the activities should have been moot once Bayer withdrew those patents from its infringement claims. See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 815–16 (1945) (describing what would become the inequitable conduct defense to infringement).

²⁹⁹ *Monsanto II*, 514 F.3d at 1242.

³⁰⁰ See *id.*

³⁰¹ *Id.* at 1243.

³⁰² *Nilssen*, 504 F.3d at 1233.

³⁰³ See, e.g., Gerald Sobel, *Reconsidering the Scope of the Inequitable Conduct Doctrine in View of Supreme Court Precedent and Patent Policy*, 18 FED. CIR. B.J. 169, 180–81 (2008).

³⁰⁴ See generally *Monsanto II*, 2006 U.S. Dist. LEXIS 97254 (discussing Bayer's conduct in light of the Mariani evidence and notes).

³⁰⁵ *Monsanto II*, 514 F.3d at 1243, 1243 n.18.

shenanigans appear nowhere in *Monsanto II*.³⁰⁶ Further since the lynchpin 99 page lower court slip opinion on remand is unpublished and was only available through PACER until recently, it seems to have only been publicly discussed by the Federal Circuit in *Monsanto II* itself.³⁰⁷ But this discussion concerns only the Mariani evidence and the reader is thus left to her own devices to determine how the focus shifted from exclusively on Jansens to exclusively on Mariani. However, a review of the lower court opinion, as done for this Article and summarized above, makes clear how this transition occurred.

In reviewing the lower court's findings with regard to unenforceability of the '565 Patent on the basis of inequitable conduct, the Federal Circuit noted that Bayer had to argue around office action rejections during prosecution based both on obviousness from *inter alia* the Barnes Abstract and lack of enablement due to the unpredictability of the art coupled with Bayer's failure to show why their claims would work.³⁰⁸ Bayer was able to do so based on the limited disclosure in the Barnes Abstract, but would have faced a far greater challenge if the Barnes Poster as detailed in Mariani's notes were before the examiner.³⁰⁹ While Bayer's patent attorney knew of Mariani's notes and had discussed them with her contemporaneously with the prosecution, he later claimed that Mariani was unable to remember "anything" about the presentation or poster during their discussion.³¹⁰ However, she demonstrated a clear command and recollection of the Barnes Poster and presentation when stepping through her notes during deposition.³¹¹ At trial, Mariani suddenly could not remember the detail of her notes or the Barnes Poster and presentation, which both the district court and Federal Circuit found highly suspect.³¹² Bayer's patent attorney was similarly not credible in his testimony about why he failed to disclose the details of the Barnes Poster or Mariani's notes about it, especially given that it was admitted that Mariani's notes had circulated widely in Bayer's Bt group.³¹³

In May 2008, the Federal Circuit decided the fourth—and for now last—of its recent controversial inequitable conduct decisions in *Aventis Pharma S.A. v. Amphastar Pharmaceuticals, Inc.*³¹⁴ The case centered on patents covering the drug Lovenox owned by Aventis.³¹⁵ Amphastar and Teva Pharmaceuticals both filed Abbreviated New Drug Applications ("ANDAs") with Paragraph IV certifications, under the FDA's rules promulgated under the Hatch-Waxman Act, to challenge Aventis' patents and begin marketing a generic of Lovenox before the patents expired.³¹⁶ Aventis sued both companies and Amphastar filed for summary judgment

³⁰⁶ Compare generally *Monsanto I*, 363 F.3d 1235 (Fed. Cir. 2004) (lacking reference to Dr. Mariani's highly material notes), with *Monsanto II*, 514 F.3d at 1242 (lacking reference to Jansens' falsified documentation).

³⁰⁷ See generally *Monsanto II*, 2006 U.S. Dist. LEXIS 97254 (discussing the lower court opinion).

³⁰⁸ *Monsanto II*, 514 F.3d at 1234–35.

³⁰⁹ *Id.* at 1235–40.

³¹⁰ *Id.* at 1236.

³¹¹ *Id.* at 1235–36.

³¹² *Id.* at 1236 n.10.

³¹³ *Id.* at 1236, 1241.

³¹⁴ 525 F.3d 1334 (Fed. Cir. 2008).

³¹⁵ *Id.* at 1337–38.

³¹⁶ *Id.* at 1340.

on an inequitable conduct defense, averring that Dr. Uzan, Aventis’ science expert whose affidavits were relied on to overcome the examiner’s objections during prosecution, had compared the half lives of the compared compounds at different doses, as part of Aventis’ intent to deceive the USPTO.³¹⁷ The court granted the motion and Aventis appealed a first time.³¹⁸ In that appeal, the Federal Circuit found that the withheld information was material, but that there was insufficient evidence to find intent to deceive on summary judgment.³¹⁹ Accordingly, the summary judgment decision was reversed and the case remanded back to the district court.³²⁰ After a bench trial, the district court found no credible explanation for Dr. Uzan’s failure to clearly disclose the different doses used for the half-life comparisons and found the requisite intent to deceive to rule that the patents were unenforceable for inequitable conduct.³²¹

On the second appeal that led to the instant decision, Aventis apparently changed its explanation as to why Dr. Uzan failed to disclose the dosage information in his half-life comparisons.³²² They were to show a difference in properties to overcome a section 103 rejection, rather than to demonstrate a compositional difference to overcome the section 102 rejection.³²³ This was followed by Aventis’ assertions that while a half-life comparison must be done at the same dosage to establish a compositional difference, a half-life comparison can be done at different dosages to establish a difference in properties.³²⁴ In fact, Aventis claimed that it was more appropriate to use the “clinically relevant dose” for each compound in the half life comparison.³²⁵ However, the Federal Circuit found that the district court had adequately determined that Dr. Uzan’s submissions were intended to counter both anticipation and obviousness rejections through showing differences in both properties and composition of the compounds.³²⁶ As such, the district court had not clearly erred in its determinations.³²⁷ Aventis further argued that the district court erred in excluding evidence of industry practice to compare drugs at their clinically relevant dosages.³²⁸ However, the Federal Circuit affirmed the district court’s findings on this because Aventis had conceded that half-life comparisons must be done at the same dose to show compositional differences, and the district court found that Aventis was intending at least in part to show compositional differences to address the anticipation rejection.³²⁹ The Federal Circuit also relied on the district court’s findings that it was incredible that Dr. Uzan had picked these particular

³¹⁷ *Id.* at 1341 (citing *Aventis Pharma S.A. v. Amphastar Pharms., Inc.*, 390 F. Supp. 2d 936, 938–39 (C.D. Cal. 2005)).

³¹⁸ *Id.* (citing *Aventis Pharma*, 390 F. Supp. 2d at 952).

³¹⁹ *Id.* at 1342 (citing *Aventis Pharma S.A. v. Amphastar Pharms., Inc.*, 176 F. App’x 117, 122 (Fed. Cir. 2006) (unpublished table decision)).

³²⁰ *Id.* (citing *Aventis Pharma*, 176 F. App’x at 123).

³²¹ *Id.* at 1343 (citing *Aventis Pharma S.A. v. Amphastar Pharms., Inc.*, 475 F. Supp. 2d 970, 994 (C.D. Cal. 2007)).

³²² *Id.* at 1344.

³²³ *Id.*

³²⁴ *Id.*

³²⁵ *Id.*

³²⁶ *Id.* at 1345.

³²⁷ *Id.*

³²⁸ *Id.* at 1347.

³²⁹ *Id.*

doses as the clinically relevant ones because the composition could be used at several different doses for different indications and there was no evidence that he had picked the 40 mg dose tested due to its efficacy for one particular indication over the others.³³⁰ Evidence of industry practice would have no impact on the court's credibility determination.³³¹

Finally, the Federal Circuit dismissed other arguments that Aventis made on appeal, including Dr. Uzan's own exculpatory statements.³³² Ultimately, the Federal Circuit was satisfied that the district court had weighed the evidence for and against an intent to deceive and did not clearly err in finding on balance more evidence pointing to an intent to deceive than away from such a conclusion.³³³ Aventis also argued that Dr. Uzan *did* disclose the data, but the Federal Circuit found that the district court did not clearly err in finding that the disclosure was done at best in a very misleading way.³³⁴ Finally, Aventis argued that Dr. Uzan failed to disclose the use of different doses based purely on inadvertence.³³⁵ However, again the Federal Circuit refused to find that the district court had clearly erred in its determinations.³³⁶

Judge Rader issued a strong dissent in the case.³³⁷ In a quotable line, he stated that “[t]he threat of inequitable conduct, with its ‘atomic bomb’ remedy of unenforceability, ensures . . . candor and truthfulness.”³³⁸ His main concern was that the court may be moving too far from case law that he interprets to “restrict[] a finding of inequitable conduct to only the most extreme cases of fraud and deception.”³³⁹ Judge Newman has expressed concern with the possible fragmenting of the *Kingsdown* consensus, as discussed above, and so she and Judge Rader may represent at least a minority block that wishes to preserve that consensus and feels that it is currently in danger.³⁴⁰

It is unclear where the other members of the court stand. A possible, but merely speculative, inference is that those members of the court who are involved in the majority decision on some of the controversial cases—such as Judges Prost and Moore in *Aventis*, and Clevenger and Bryson in *McKesson*—are not troubled by the direction the court appears to be headed on the proper scope of a finding of intent to deceive.³⁴¹ But, their actual decisions in these cases could mean a number of things. They could feel that *Aventis* and *McKesson*, respectively, *do* adhere to the *Kingsdown* consensus, and thus that the court is not moving in any new direction. Or they could feel that the particular facts of *Aventis* or *McKesson* are not covered by the *Kingsdown* consensus. After all, the *Kingsdown* consensus really focused only on

³³⁰ *Id.* at 1347–48.

³³¹ *Id.* at 1348.

³³² *Id.*

³³³ *Id.*

³³⁴ *Id.* at 1348–49.

³³⁵ *Id.* at 1349.

³³⁶ *Id.*

³³⁷ *Id.* (Rader, J., dissenting).

³³⁸ *Id.*

³³⁹ *Id.*

³⁴⁰ See *supra* notes 337–339 and accompanying text; see also *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 487 F.3d 897, 926 (Fed. Cir. 2007) (Newman, J., dissenting) (warning of a “return[] to the ‘plague’ of encouraging unwarranted charges of inequitable conduct”).

³⁴¹ See *McKesson*, 487 F.3d at 901; *Aventis*, 525 F.3d at 1337.

whether a finding of gross negligence could in and of itself justify an inference of an intent to deceive.³⁴² It held that the mere finding of gross negligence did not sustain such an inference.³⁴³ But the court also held, as discussed above, that the ultimate decision of whether inequitable conduct occurred was a question of equity to be determined at the district court judge’s discretion (just as a question of law would be decided).³⁴⁴ Further, given the sliding scale of materiality and intent to a finding of inequitable conduct, a judge’s findings on the matter of intent to deceive can be fairly low if her findings on materiality are high.³⁴⁵ Thus, the *Kingsdown* consensus statement does not say that gross negligence can *never* be the basis for a sufficient finding of intent to deceive, only that it is not in and of itself sufficient (*i.e.*, it is dependent on the materiality findings—high materiality may render gross negligence sufficient for intent to deceive).³⁴⁶ In the alternative, the majority decisions in *Aventis* and *McKesson* could signal a dissatisfaction with the *Kingsdown* consensus. Of course, to the extent any judges are unhappy with the consensus, they are nonetheless bound by it until or unless the full court revisits it *en banc*.³⁴⁷

As time has moved on, however, it seems that some of these recent cases may have been over interpreted by the commentators and practitioners who promote a “disclose everything” mentality. Whatever trend *Dayco*, *McKesson*, *Monsanto*, and *Aventis* may suggest towards an increase in the Federal Circuit’s receptivity to inequitable conduct cases, the court’s decisions since then strongly indicate that these cases may instead be aberrations. Following *Aventis* throughout the remainder of 2008, the Federal Circuit decided 17 appeals that included review of an inequitable conduct defense. In 11 of these, the court affirmed the district court’s finding of *no* inequitable conduct.³⁴⁸ In four others, the court reversed or vacated a

³⁴² *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988).

³⁴³ *Id.*

³⁴⁴ *Id.*

³⁴⁵ See *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997) (“The more material the omission or misrepresentation, the lower the level of intent required to establish inequitable conduct, and vice versa.” (citing *Akzo N.V. v. U.S. Int’l Trade Comm’n*, 808 F.2d 1471, 1481–82 (Fed. Cir. 1986)); *Akzo*, 808 F.2d at 1481–82 (“Materiality and intent must also be considered together: the more material the omission or misrepresentation, the less intent that must be shown to reach a conclusion of inequitable conduct.” (citing *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir. 1984)); *Am. Hoist & Derrick*, 725 F.2d at 1363 (“Questions of ‘materiality’ and ‘culpability’ are often interrelated and intertwined, so that a lesser showing of the materiality of the withheld information may suffice when an intentional scheme to defraud is established, whereas a greater showing of the materiality of withheld information would necessarily create an inference that its nondisclosure was ‘wrongful.’” (citing *Digital Equip. Corp. v. Diamond*, 653 F.2d 701, 716 (1st Cir. 1981))).

³⁴⁶ *Kingsdown*, 863 F.2d at 876 (“We adopt the view that a finding that particular conduct amounts to ‘gross negligence’ does not of itself justify an inference of intent to deceive . . .”).

³⁴⁷ See *id.* at 876 n.16.

³⁴⁸ See *Rentrop v. Spectranetics Corp.*, 550 F.3d 1112, 1115 (Fed. Cir. 2008); *Abbott Labs. v. Sandoz, Inc.*, 544 F.3d 1341, 1343 (Fed. Cir. 2008); *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1320 (Fed. Cir. 2008); *Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1357 (Fed. Cir. 2008); *Eisai Co. v. Dr. Reddy’s Labs., Ltd.*, 533 F.3d 1353, 1355 (Fed. Cir. 2008); *Symantec Corp. v. Computer Assocs. Int’l, Inc.*, 522 F.3d 1279, 1285 (Fed. Cir. 2008); *Ortho-McNeil Pharm., Inc. v. Mylan Labs., Inc.*, 520 F.3d 1358, 1360 (Fed. Cir. 2008); *Pfizer, Inc. v. Teva Pharms. USA, Inc.*, 518 F.3d 1353, 1356 (Fed. Cir. 2008); *Erico Int’l Corp. v. Vutec Corp.*, 516 F.3d 1350, 1354 (Fed. Cir. 2008); *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1367 (Fed. Cir. 2008); *Black & Decker, Inc. v. Robert Bosch Tool Corp.*, 260 F. App’x 284, 285 (Fed. Cir. 2008) (unpublished table decision).

lower court finding of inequitable conduct.³⁴⁹ In an additional case, the court affirmed a district court's finding of no inequitable conduct in part, related to some of the claims of one of the two patents-in-suit; but reversed and remanded in part based on the district court's ruling that the inequitable conduct inquiry was moot because the remaining claims in the patents-in-suit were invalid or non infringed (the Federal Circuit ruled that the issue was not moot as it was raised as a valid counterclaim).³⁵⁰ This left only one remaining case in 2008 following *Aventis* in which the Federal Circuit upheld a district court's finding of inequitable conduct. And even in that case—*Praxair, Inc. v. ATMI, Inc.*³⁵¹—one panel member, Judge Lourie, dissented and would have reversed the finding of inequitable conduct.³⁵² At the same time, the majority affirmed the finding of inequitable conduct only because the withheld information was highly material, the inventor and attorney knew it was material, and had no explanation for why they withheld it.³⁵³

Through July 2009, there were five inequitable conduct cases at the Federal Circuit and none of them affirmed a finding of inequitable conduct.³⁵⁴ In *Rothman v. Target Corp.*, the court reversed the district court's finding of inequitable conduct, even as it affirmed the district court's finding of patent invalidity.³⁵⁵ In *Larson Manufacturing Company of South Dakota, Inc. v. Aluminart Products Ltd.*, the court vacated the district court's dismissal of the patent infringement case that was based on finding of inequitable conduct.³⁵⁶ The Federal Circuit found that while the district court had properly found two undisclosed office actions in a continuation application to be material, the district court's findings that three undisclosed prior art references were not cumulative—and hence material—was clearly erroneous.³⁵⁷ However, because the district court had made a finding of intent to deceive collectively across both the office actions and prior art references, with no distinction between them, the Federal Circuit vacated and remanded for the district court to: i) determine whether there was specific intent to deceive on the office actions alone; and ii) balance the intent, if any, with the materiality of the office actions to make a finding as to whether a sufficient level of inequitable conduct had occurred to hold the patent unenforceable.³⁵⁸ In *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*, the Federal

³⁴⁹ *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1360 (Fed. Cir. 2008); *Research Corp. Techs., Inc. v. Microsoft Corp.*, 536 F.3d 1247, 1249 (Fed. Cir. 2008); *Scanner Techs. Corp. v. Icos Vision Sys. Corp.*, 528 F.3d 1365, 1384 (Fed. Cir. 2008); *TALtech Ltd. v. Esquel Apparel, Inc.*, 279 F. App'x 974, 975 (Fed. Cir. 2008) (per curiam) (unpublished table decision).

³⁵⁰ *Zenith Elecs. Corp. v. PDI Commc'n Sys.*, 522 F.3d 1348, 1366–68 (Fed. Cir. 2008).

³⁵¹ *Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1328 (Fed. Cir. 2008).

³⁵² *Id.* at 1329 (Lourie, J., dissenting).

³⁵³ *Id.* at 1318.

³⁵⁴ *Wavetronix v. EIS Elec. Integrated Sys.*, 573 F.3d 1343, 1345 (Fed. Cir. 2009); *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 560 F.3d 1366, 1380 (Fed. Cir. 2009); *Larson Mfg. Co. of S.D., Inc. v. Aluminart Prods. Ltd.*, 559 F.3d 1317, 1320 (Fed. Cir. 2009); *Rothman v. Target Corp.*, 556 F.3d 1310, 1314 (Fed. Cir. 2009); *Dickson Indus., Inc. v. Patent Enforcement Team, L.L.C.*, Nos. 2008-1372, 2008-1398, 2009 U.S. App. LEXIS 10779, at *2 (Fed. Cir. May 20, 2009). The Article is not covering *Walker Process* antitrust based inequitable conduct claims that allege fraudulent procurement for purposes of anticompetitive activities. See *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 176 (1965).

³⁵⁵ 556 F.3d at 1313–14.

³⁵⁶ 559 F.3d at 1320, 1342.

³⁵⁷ *Id.*

³⁵⁸ *Id.* at 1342.

Circuit affirmed the district court’s holding that the patent-in-suit was not unenforceable due to inequitable conduct.³⁵⁹ In *Dickson Industries, Inc. v. Patent Enforcement Team, L.L.C.*, the Federal Circuit vacated and remanded a finding of unenforceability for inequitable conduct because the lower court issued contradictory rulings with regard to whether alleged inequitable conduct in a reexamination proceeding that occurred at the USPTO while the case was pending would even be allowed in to the suit.³⁶⁰ Over the patent owner’s protests because it had not been given adequate time and notice to litigate the issue, the lower court ultimately allowed the issue in anyway.³⁶¹ The Federal Circuit held that this clearly prejudiced the case against the patent owner. Judge Rader, writing the opinion, reminded the lower court and parties that:

This court has long recognized that “the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.” Given the severe consequences of unenforceability when it is imposed on a patent, it is paramount that the district court exercise necessary caution to ensure that the patent owner met its burden of proof with respect to both the materiality and deceptive intent.³⁶²

In *Wavetronix v. EIS Electronic Integrated Systems*, the Federal Circuit upheld the lower court’s dismissal of an inequitable conduct defense on summary judgment with little fanfare.³⁶³

Then, on August 4, 2009, the Federal Circuit appeared to take direct aim at the perceived abuses of the inequitable conduct doctrine by ruling in *Exergen Corp. v. Wal-Mart Stores, Inc.* that the heightened pleading requirement under Rule 9(b) of the Federal Rules of Civil Procedure³⁶⁴ should be interpreted to “require[] identification of the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO.”³⁶⁵ This holding specifically adopted the “newspaper analogy” interpretation of the requirements of Rule 9(b) employed by the United States Court of Appeals for the Seventh Circuit in *DiLeo v. Ernst & Young*.³⁶⁶ Further, even though Rule 9(b) requires pleading with particularity only for the circumstances constituting the fraud, the court noted that “[a]lthough ‘knowledge’ and ‘intent’ may be averred generally, our precedent, like that of several regional circuits, requires that the pleadings allege sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind.”³⁶⁷ Applying these interpretations of Rule 9(b) to the lower court’s factual record and refusal to grant leave for the defendant to amend its

³⁵⁹ 560 F.3d 1366, 1380 (Fed. Cir. 2009).

³⁶⁰ Nos. 2008-1372, 2008-1398, 2009 U.S. App. LEXIS 10779, at *1-2 (Fed. Cir. May, 20 2009).

³⁶¹ *Id.* at *11-12.

³⁶² *Id.* at *13 (citations omitted).

³⁶³ 573 F.3d 1343, 1345 (Fed. Cir. 2009).

³⁶⁴ FED. R. CIV. P. 9(b) (“In alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake. Malice, intent, knowledge, and other conditions of a person’s mind may be alleged generally.”).

³⁶⁵ 575 F.3d 1312, 1327 (Fed. Cir. 2009).

³⁶⁶ 901 F.2d 624, 627 (7th Cir. 1990).

³⁶⁷ *Exergen*, 575 F.3d at 1327.

answer to add a defense of inequitable conduct, the *Exergen* court affirmed the lower court on the basis that the defendant's proposed amendment was too vague as to the important particulars of the "who, what, when, where, and how" of the alleged inequitable conduct.³⁶⁸

Following *Exergen*, the Federal Circuit declined to allow a patent infringement defendant to raise an inequitable conduct defense on remand in the lower court in *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*³⁶⁹ However, this ruling turned largely on technical or procedural matters.³⁷⁰ First, some of the categories of inequitable conduct arguments were raised and either abandoned or rejected by the jury in the earlier proceeding before remand.³⁷¹ Second, the parties had stipulated to exclude allegations of inequitable conduct based on the actions of one of the experts, which constituted the remaining category of inequitable conduct arguments.³⁷²

Wrapping up the month of August, the Federal Circuit also ruled on inequitable conduct in a trademark case, *In re Bose*.³⁷³ While not directly on point for the doctrine of inequitable conduct in patent cases, Judge Michel, writing for the court, cited patent inequitable conduct cases such as *Kingsdown* and *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.* to establish the Federal Circuit's position on inequitable conduct generally.³⁷⁴ The court then reversed the Trademark Trial And Appeal Board's ("TTAB") ruling that a lawyer for Bose engaged in inequitable conduct when he submitted a Section 8 affidavit of continued use to support a Section 9 renewal application that stated Bose was still using the WAVE mark in commerce on audio tape recorders and players, even though the lawyer knew that Bose had stopped selling such units at the time of the renewal.³⁷⁵ The lawyer claimed that he believed that because Bose was still servicing such units, and then shipping them back to customers, such use constituted continued commercial use for purposes of the Section 8 affidavit and Section 9 renewal application.³⁷⁶ While this is inaccurate, and thus the Federal Circuit agreed with the TTAB that the lawyer made a material misrepresentation to the USPTO, the court nonetheless reversed the finding of inequitable conduct because "[t]here is no fraud if a false representation is occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive."³⁷⁷ The court even went so far as to sidestep the TTAB's finding that the lawyer's stated belief was unreasonable by stating that it did "not need to resolve the issue of the reasonableness as it is not part of the analysis."³⁷⁸ This is fascinating though, as the Federal Circuit found an unreasonable judgment on the part of the patent attorney in *Paragon* to be quite relevant to the ultimate finding that the attorney had acted with intent to deceive the USPTO.³⁷⁹

³⁶⁸ *Id.* at 1327, 1329.

³⁶⁹ 576 F.3d 1348, 1354–55 (Fed. Cir. 2009).

³⁷⁰ *Id.* at 1351.

³⁷¹ *Id.* at 1353.

³⁷² *Id.* at 1357–58.

³⁷³ 580 F.3d 1240 (Fed. Cir. 2009).

³⁷⁴ *Id.* at 1244–45. See 537 F.3d 1357 (2008); 863 F.2d 867 (Fed. Cir. 1988).

³⁷⁵ *In re Bose*, 580 F.3d. at 1246.

³⁷⁶ *Id.*

³⁷⁷ *Id.*

³⁷⁸ *Id.*

³⁷⁹ *Paragon Podiatry Lab. Inc. v. KLM Labs. Inc.*, 984 F.2d 1182, 1192 (Fed. Cir. 1993).

In September, the Federal Circuit issued two orders involving inequitable conduct, both of which allowed inequitable conduct proceedings to continue in the respective lower courts, and then issued two opinions affirming lower courts’ findings of no inequitable conduct.³⁸⁰ The two orders allowing inequitable conduct inquiries to continue were merely procedural and technical rulings, however.³⁸¹ In *National Oilwell Varco, L.P. v. Pason Systems USA Corp.*, the Federal Circuit found that the lower court’s attempt to issue a final Rule 54(b) judgment on validity and infringement of the patent was improper because the district court had bifurcated the proceeding and not yet resolved the inequitable conduct portion.³⁸² In *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, the Federal Circuit decided to vacate part of an earlier order denying Aspex’ motion for attorney’s fees based on its inequitable conduct claims, because the Federal Circuit had separately reversed the lower court’s dismissal of Aspex’ unenforceability counterclaim.³⁸³

The first September opinion affirming a finding of no inequitable conduct was *Vita-Mix Corp. v. Basic Holding, Inc.*³⁸⁴ Similar to the facts of *Bose*, the facts in this case were that a false statement was made to the USPTO. In the instant case, it was one of the inventors who made a statement to show patentability by distinguishing the prior art that was clearly refuted by another reference in the prior art.³⁸⁵ However, the inventor denied any intention to deceive the USPTO by asserting that regardless of the actual falsity of the statement, he believed it to be true at the time he made it to the USPTO.³⁸⁶ Because the infringement defendant placed no other evidence in the record from which the district court could properly infer an intent to deceive, it rejected the inequitable conduct claim.³⁸⁷ The Federal Circuit affirmed both the finding and the rationale.

The second September opinion was *Astrazeneca Pharmaceuticals, LP v. Teva Pharmaceuticals USA Inc.*³⁸⁸ Infringement defendant Teva alleged that Astrazeneca’s representatives attempted to deceive the USPTO when they failed to submit certain data on drug molecules with some structural similarity to the molecule for which patent protection was sought.³⁸⁹ However, the record showed that Astrazeneca disclosed all the similar molecules and worked with the examiner to determine which ones were truly close enough to the target molecule to require the submission of data.³⁹⁰ Once that decision was made, then Astrazeneca dutifully submitted data on those molecules. The district court found no intent to deceive by Astrazeneca when it thus elected not to generate and submit new data that the

³⁸⁰ See *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1333 (Fed. Cir. 2009); *Astrazeneca Pharma., LP v. Teva Pharma. USA Inc.*, 583 F.3d 766, 777 (Fed. Cir. 2009).

³⁸¹ See *National Oilwell Varco, L.P. v. Pason Sys. USA Corp.*, Nos. 2009-1397, 2009-1398, 2009 WL 2903595 (Fed. Cir. 2009); *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, Nos. 2008-1185, 2008-1238, 2009 WL 2903592 (Fed. Cir. 2009).

³⁸² Nos. 2009-1397, 2009-1398, 2009 WL 2903595 (Fed. Cir. 2009).

³⁸³ Nos. 2008-1185, 2008-1238, 2009 WL 2903592 (Fed. Cir. 2009).

³⁸⁴ 581 F.3d 1317, 1333 (Fed. Cir. 2009).

³⁸⁵ *Id.* at 1323.

³⁸⁶ *Id.* at 1332.

³⁸⁷ *Id.*

³⁸⁸ 583 F. 3d 766 (Fed. Cir. 2009).

³⁸⁹ *Id.* at 770.

³⁹⁰ *Id.*

examiner had not requested.³⁹¹ The Federal Circuit again affirmed both the finding and the rationale of the lower court.³⁹²

These recent cases seem to show an effort on the part of the Federal Circuit to once again try to rein in the use of the inequitable conduct doctrine. However, like the *Kingsdown* “solution,” they only address specific tactics within the broader set of uses of the doctrine and thus do less than they may originally appear to do. In some ways, cases like *Kingsdown* and *Exergen* are more successful as signals from the court that it frowns upon widespread use of the inequitable conduct doctrine at given points in time. But neither really breaks new ground or creates new law—primarily because the court is still hemmed in by *Precision Instrument* and thus cannot materially alter the basic doctrine.³⁹³ Therefore, any relief felt by patentees and their attorneys after *Exergen* is probably ill-advised and may be short-lived.

In sum, despite some recent troubling rulings, the overall case law covering inequitable conduct is still in line with what has developed in the long lineage from the first and last Supreme Court word on the matter in *Precision Instruments*.³⁹⁴

That is the good news. The bad news is that this lineage of case law is sprawling and permits multiple tests for materiality and intent, as well as a sliding inverse scale of materiality and intent that judges must equitably weigh before ultimately determining whether inequitable conduct has occurred. In the Federal Circuit decision on the USPTO’s Final Rules on continuations *et al.*, *Tafas v. Doll*, the panel reasserted its position that the doctrine of inequitable conduct is first and foremost a judicial equitable doctrine: “The reach of inequitable conduct is solely within the control of the courts”³⁹⁵ The court was responding to some amici arguments that the requirement for an examination support document (ESD) in the case of applicant submissions of more than five independent claims or twenty-five total claims “is so wrought with peril that sane applicants will be absolutely limited to five independent claims and twenty-five total claims” because “even the most diligently prepared ESD will inevitably open the applicant to inequitable conduct allegations that will entail costly litigation and a possible finding of unenforceability.”³⁹⁶ The court declined to make a ruling based on these arguments because “this concern is too speculative to void the rules and, in any event, is at its core a matter of inequitable conduct doctrine, not USPTO rulemaking authority.”³⁹⁷

Finally, a new patent reform bill—the Patent Reform Act of 2009³⁹⁸—has been introduced in Congress and may have a substantial chance of passing given the Democrats majority and President Obama’s stated support for patent reform.³⁹⁹ As it

³⁹¹ *Id.*

³⁹² *Id.* at 777.

³⁹³ *See, e.g., Exergen*, 575 F.3d at 1328–29, 1330–31 (requiring claims of inequitable conduct be plead with particularity while noting that deceptive intent was only plead upon information and belief and SAAT did not provide information or belief for the claim).

³⁹⁴ *See* discussion, *supra* Part II.

³⁹⁵ 559 F.3d 1345, 1358 (Fed. Cir. 2009), *vacated*, 328 F. App’x 658 (Fed. Cir. 2009) (unpublished table decision).

³⁹⁶ *Id.*

³⁹⁷ *Id.*

³⁹⁸ Patent Reform Act of 2009, S. 515, 111th Cong. (2009); Patent Reform Act of 2009, H.R. 1260, 111th Cong. (2009) (introduced simultaneously in the Senate as S. 515).

³⁹⁹ *See* George Best et al., *United States: The Obama Administration Weighs In On Patent Reform Legislation: Will The Logjam Break?*, MONDAQ BUS. BRIEFING, Oct. 14, 2009.

currently stands, the bill refrains from codifying the inequitable conduct defense as some have called for. This could change as the bill evolves over time. Absent a statutory codification of inequitable conduct, or a definitive new Supreme Court ruling, however, the doctrine will continue to be defined as a threshold matter by Rule 56, but this is a floor not a ceiling. Courts are still free to find inequitable conduct even where an applicant and her patent attorneys/agents have complied with all aspects of Rule 56 and the IDS Rules.⁴⁰⁰ In other words, compliance with Rule 56 and the IDS Rules is necessary, but not sufficient, to avoid a finding of inequitable conduct rendering a client’s patents unenforceable. At the same time, the Federal Circuit has done a decent job of cabining the doctrine to one in which courts must assess baseline levels of materiality and intent, balance them, and then determine if inequitable conduct has occurred at such a level as to warrant withholding its equitable powers on behalf of the patentee-plaintiff.⁴⁰¹ The final Part of this Article provides suggestions for disclosures to the USPTO during patent prosecution to minimize adverse findings of inequitable conduct in later litigation as well as theorizes a tactic to cut off use of the defense in the first place.

III. SUGGESTIONS TO ESTABLISH AN INEQUITABLE CONDUCT RESISTANT PROSECUTION HISTORY AND A PROPOSED LITIGATION TACTIC TO CUT OFF USE OF THE DEFENSE

While many law firms rushed to set new policies for significantly increased disclosure in their IDS practice—as if the doctrine of inequitable conduct has actually changed—they may be over reading the cases and actually risking inequitable conduct through excessive disclosure to the USPTO.⁴⁰² As has been shown throughout this Article, the doctrine of inequitable conduct has not changed in any material way, even with the controversial decisions of *Dayco*, *Monsanto*, *McKesson*, and *Aventis*, and including the newer cases such as *Exergen* that seem to be steering parties away from raising inequitable conduct claims unless the conduct is egregious. The controlling Supreme Court decision is still *Precision Instruments*, and the inquiry is still a sliding inverse scale of materiality and intent once the threshold levels of materiality and intent are found.⁴⁰³ The multiple tests developed by the courts and the USPTO are still valid.⁴⁰⁴ The only new information provided by recent decisions is a highlighting of some types of evidence that the courts might consider persuasive in considering questions of materiality and intent.⁴⁰⁵

However, it is a mistake to read these cases too broadly for the import of these types of evidence, especially when patent attorneys are considering whether or how to amend or clarify their IDS practice.⁴⁰⁶ Creating new classes of “mandatory” disclosures at too broad a level of generality—e.g., *all* office actions in a related

⁴⁰⁰ See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 815 (1945) (describing the court’s “wide range” of discretion in equity regarding inequitable conduct).

⁴⁰¹ See discussion *supra* Part II.

⁴⁰² See discussion *supra* Part II.

⁴⁰³ See discussion *supra* Part II.

⁴⁰⁴ See discussion *supra* Part II.

⁴⁰⁵ See discussion *supra* Part II.

⁴⁰⁶ See, e.g., COOLEY GODWARD KRONISH LLP, PUBLIC ANTICIPATES NEW PATENT OFFICE RULES FOR INFORMATION DISCLOSURE STATEMENTS 2–3 (2008), <http://www.cooley.com/58627>.

family of applications—may well overburden the USPTO and risk inequitable conduct on the grounds of burying the material documents. While the USPTO and inequitable conduct doctrine expressly allow the submission of immaterial documents to the USPTO, this is merely to create a buffer zone so that inventors and their attorneys do not have to worry about submitting in good faith documents that the examiner later finds to be immaterial.⁴⁰⁷ But this buffer zone is cabined by the prohibition on burying material references in a broad “document dump” disclosure.⁴⁰⁸ Accordingly, there is no easy “bright line” response to the recent inequitable disclosure cases (e.g., “disclose all office actions”). Rather the inventor and her attorney must continue to evaluate references and make a reasonable judgment as to whether they are material enough to require disclosure to the examiner.⁴⁰⁹ The first section below outlines ways for patent attorneys to evaluate references in light of the recent cases on inequitable conduct. The second section theorizes the pleading of damages-only claims to cut off inequitable conduct defenses as a species of unclean hands equitable doctrine.

A. *Evaluating References for Possible Disclosure*

1. *Materiality*

Materiality is not a binary state. References may be more or less material. Thus the sliding scale between materiality and intent is not varying so much as to the strength of the evidence for or against materiality, but rather as to the degree of materiality the reference possesses with regard to the application at issue.⁴¹⁰ Materiality may be assessed by five different standards: i) the current Rule 56 and IDS Rules; ii) the reasonable examiner test (the old 1977 Rule standard); iii) the objective “but for” test; iv) the subjective “but for” test; and v) the “but it might have been important to the examiner” test.⁴¹¹ This Article does not purport to address all issues of materiality from the ground up. Rather, it focuses on materiality issues raised by the recent Federal Circuit case law.

This Article proposes the perhaps trivial or obvious initial step that patent attorneys triage all references they are aware of into something similar to the following three categories: i) clearly material; ii) possibly material; and iii) clearly immaterial. Clearly material references will be submitted individually or as part of

⁴⁰⁷ See *Duty of Disclosure*, 57 Fed. Reg. 2,021, 2,024 (Jan. 17, 1992) (to be codified at 37 C.F.R. pts. 1 & 10) (“Presumably, applicants will continue to submit information for consideration by the Office in applications rather than making and relying on their own determinations of materiality.”).

⁴⁰⁸ See, e.g., *Penn Yan Boats, Inc. v. Sea Lark Boats, Inc.*, 359 F. Supp. 948, 964–65 (S.D. Fla. 1972), *aff’d*, 479 F.2d 1328 (5th Cir. 1973) (affirming district court’s finding of inequitable conduct based on a patentee’s burying of a highly material reference).

⁴⁰⁹ See 37 C.F.R. § 1.56 (2008).

⁴¹⁰ See, e.g., *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997) (describing a scale of materiality in determining the relevance of a reference).

⁴¹¹ 37 C.F.R. § 1.56 (“Duty to disclose information material to patentability.”); *id.* §§ 1.97–1.98 (“Filing of information disclosure statement” and “Content of information disclosure statement.”); *Patent Examining and Appeal Procedures*, 42 Fed. Reg. 5,588, 5,593 (Jan. 28, 1977) (to be codified at 37 C.F.R. pt. 1) (setting forth “reasonable examiner” standard); *Norton v. Curtiss*, 433 F.2d 779, 795 (C.C.P.A. 1970) (setting forth subjective “but for” test; describing objective “but for” test).

an IDS.⁴¹² The only remaining question for this type of reference is how, if at all, to summarize or describe the references. Because the manner in which a reference is submitted plays a large role in findings of intent, the full discussion of the disclosure content and format is left for the next subsection. Clearly immaterial references may be withheld.⁴¹³ However, it is recommended that attorneys include in the prosecution file some notes or means to remind themselves of why they decided that the reference was clearly immaterial. This is because in many of the cases where a finding of inequitable conduct has been upheld by the Federal Circuit—even with a low finding of actual or circumstantial intent—it was because the patent attorney was unable to recall or explain why he withheld the reference in good faith.⁴¹⁴ Intent will be discussed in more detail in the next subsection.⁴¹⁵

The most difficult category is that of references that are possibly material. The discussion that follows is limited to the types of possibly material references that have caused concern in recent Federal Circuit case law.

a. Co-Pending Applications and Office Actions

In co-pending applications before the same examiner or different examiners, in which identical or substantially similar claims are being prosecuted, the attorney should treat all office actions that question or reject the identical or substantially similar claims as material for all the co-pending applications.⁴¹⁶ Further, allowances of claims in co-pending applications that are substantially similar enough that they could give rise to a claim of double patenting if the instant claims are also allowed, should also be deemed material and disclosed to the examiner.⁴¹⁷ This is different from some law firm and commentator suggestions to simply cite *all* office actions in all co-pending applications.⁴¹⁸ If the office action in a co-pending application is limited to a claim that is dissimilar to any of the claims in co-pending related family applications, then it is hard to see how this is material to the other applications, and no Federal Circuit decision requires this. Of course, judgment is still required and if an office action in a co-pending application covering the same or similar subject matter questions the patentability of the invention and application at issue, then that may be material as well.⁴¹⁹

⁴¹² See 37 C.F.R. §§ 1.56, 1.97–1.98.

⁴¹³ See *Penn Yan Boats*, 359 F. Supp. at 964–65 (finding inequitable conduct based on a patentee’s burying of a highly material reference).

⁴¹⁴ See discussion *infra* Part III.A.2.

⁴¹⁵ See discussion *infra* Part III.A.2.

⁴¹⁶ See discussion *supra* Part II (particularly the discussion of *McKesson*).

⁴¹⁷ See discussion *supra* Part II; 35 U.S.C. 101 (2006) (limiting patents to only “new” inventions); MPEP, *supra* note 68, § 804 II.

⁴¹⁸ See, e.g., Tom Brody, *Duty to Disclose: Dayco Products v. Total Containment*, 7 J. MARSHALL REV. INTELL. PROP. L. 325, 342 (2008).

⁴¹⁹ 37 C.F.R. § 1.56 (2008) (“The duty to disclose [material] information exists with respect to each pending claim until the claim is cancelled or withdrawn from consideration, or the application becomes abandoned.”); MPEP, *supra* note 68, § 2004.09 (cautioning attorney/agents to “not rely on the examiner of a particular application to be aware of other applications belonging to the same applicant or assignee”).

At the same time, it must be emphasized that simply because a co-pending application is before the same examiner does *not* mean that the prosecuting attorney can rely on the examiner's familiarity with the content or actions taken in that co-pending application when examining the instant application.⁴²⁰ This does raise some fairness and relative work load questions for the prosecuting attorney—e.g., why does the examiner have the right to essentially demand that every material reference be placed by the prosecuting attorney under his nose at the moment he examines the application, including those references created by the examiner himself in co-pending applications—but this Article reflects the case law as it is and not as it should be.

b. Notes and Other Informal Materials Within the Inventor's Organization

While patent attorneys still need not ask their clients' inventors, or the inventor's organization, to search for possibly relevant references within the inventor or organization's records, any relevant records, notes, or other documentation that the inventor or patent attorney are aware of within the organization must be disclosed.⁴²¹ So again, while some commentators and law firms are advocating that inventors and their organizations scour their records for potentially relevant documents, this is not what the case law requires.⁴²² Instead, all that is required is a good faith disclosure of material documents that the inventor and/or her patent attorney are aware of within the inventor's, or her organization's, possession.⁴²³ In *Monsanto*, for example, the notes at issue were well known within the inventor's department at the company and to the prosecuting attorney.⁴²⁴

c. Foreign Language Documents

Extra care must be taken when determining which parts of material foreign language references should be translated, or indeed whether the entire document should be translated.⁴²⁵ In *Semiconductor Energy Laboratory Co., Ltd. v. Samsung Electronics Co., Ltd.*, the Federal Circuit upheld the district court's decision to hold the patent unenforceable because only some portions of a 29 page Japanese language reference were translated.⁴²⁶ However, this was only because the district court had found that the inventor, who was also the plaintiff company's CEO, was a native Japanese speaker and knew full well that the un-translated portions of the document in fact contained "a more complete combination of the elements" in the patent at issue than that included in the translated portion or any other reference before the

⁴²⁰ See MPEP, *supra* note 68, § 2004.09.

⁴²¹ 37 C.F.R. § 1.56 (imposing a duty to submit all *known* information).

⁴²² See, e.g., MAYER BROWN, FEDERAL CIRCUIT SPLIT ON CONTROVERSIAL USPTO RULES PACKAGE (2009), <http://www.mayerbrown.com/publications/article.asp?id=6375&nid=6> (suggesting that the new rules may require applicants to "conduct and disclose full prior art searches").

⁴²³ 37 C.F.R. § 1.56 (imposing a duty to submit all *known* information).

⁴²⁴ *Monsanto II*, 514 F.3d 1229, 1336 (Fed. Cir. 2008).

⁴²⁵ See MPEP, *supra* note 68, § 604.04(a).

⁴²⁶ 204 F.3d 1368, 1377–78 (Fed. Cir. 2000).

USPTO and would thus decrease the likelihood of the patent issuing.⁴²⁷ The untranslated portion, when added to other references cited, would have clearly made out a *prima facie* case of obviousness.⁴²⁸ Accordingly, this case does *not* indicate that all foreign language cited references need be translated in their entirety, but rather once again that materiality is the key.⁴²⁹ Portions of a foreign language reference that are material under any of the current operative standards must be translated, and not simply submitted in their original language and/or summarized.⁴³⁰

d. Foreign Patent Office Searches and Office Actions

Similar to co-pending application issues in the USPTO, issues involving patent applicants and their attorneys who are prosecuting patents on the same or substantially similar invention/claims in foreign jurisdictions must disclose material references and foreign patent office actions to the USPTO examiner that arise in those foreign prosecutions.⁴³¹ The only exception here could be references that are material *only* to the foreign examination process because of clear, accepted differences between patentability standards in that foreign country and those of the United States. But this just underscores that the key is materiality under United States and USPTO standards.⁴³² The point is that the applicant or her attorneys are aware of the reference—how they came to be aware of it has no effect on whether it should be disclosed to the USPTO.⁴³³

e. Submission of Affidavits and Expert Opinions

Extra care should be taken to disclose relationships between affiants and patent applicants where affidavits are submitted in support of the patentability of the invention.⁴³⁴ This is especially true where the affidavits are being submitted to overcome examiner objections or rejections to patentability.⁴³⁵ The affidavits themselves must not be misleading whether that be by affirmative misrepresentations, omissions, or submissions that fail to give a fair and comprehensive representation of the data or information supporting the affidavit.⁴³⁶

⁴²⁷ *Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, 4 F. Supp. 2d 477, 479, 484 (E.D. Va. 1998), *aff'd*, 204 F.3d 1368 (Fed. Cir. 2000).

⁴²⁸ *Semiconductor Energy Lab.*, 204 F.3d at 1374.

⁴²⁹ *See id.*

⁴³⁰ *Id.*; 37 C.F.R. § 1.98(a)(3) (2008).

⁴³¹ 37 C.F.R. § 1.56 (imposing a duty to submit all *known material* information) (emphasis added); *id.* § 1.97(e)(2) (requiring the applicant to identify if the reference was first cited in a foreign application).

⁴³² *Id.*

⁴³³ *Id.*; *see* discussion Part II.

⁴³⁴ 37 C.F.R. § 1.56; *see* discussion *supra* Part II (particularly the discussion of *Paragon Podiatry and Refac*).

⁴³⁵ *See* 37 C.F.R. § 1.56 (imposing a duty to submit all *known material* information); § 1.132 (providing the requirements for affidavits of this nature).

⁴³⁶ *See* discussion *supra* Part II (particularly the discussion of *Aventis*).

f. Disclosure or Prior Use or Sale of Products Embodying the Invention by Applicant

Patent applicants should be better apprised of the effects of undisclosed prior public use or sale of products embodying the patent (whether product or process claims) during patent prosecution. The failure to disclose such uses or sales can lead to a finding of inequitable conduct.⁴³⁷ Thus, in *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, the Federal Circuit affirmed the district court's finding of inequitable conduct based on the prosecuting attorney's willful failure to inquire as to the dates of sales of the patented surgical saw blade, even though he knew there was a potential on sale bar issue.⁴³⁸ But, again, it is important to not over read this case. It does not stand for the proposition that patent attorneys have a duty in all cases to inquire or investigate as to whether there might have been sales or public uses of products embodying the invention that would trigger the section 102 statutory bar. Rather, the case simply held that where a patent attorney is on notice that there might have been such sales or uses—in this case the attorney was asked to rush the application because there might be an on sale bar issue—then the attorney should inquire as to the nature of them and disclose them to the examiner accordingly.⁴³⁹

2. Intent

One issue that has arisen for many patent attorneys through recent Federal Circuit cases is whether honest patent attorneys could still inadvertently give the appearance of intending to deceive the USPTO.⁴⁴⁰ This is especially important given the frequent invocation of the inequitable conduct defense by infringement defendants on the slimmest of grounds (as the Federal Circuit has noted).⁴⁴¹ The concern is that good faith, legitimate activities during prosecution could be turned around long after the fact by shrewd litigators. However, the best shields against inequitable conduct allegations are for prosecuting attorneys to: i) adhere scrupulously to best practices in patent prosecution; and ii) be aware of the burden of proof and what needs to be shown in inequitable conduct cases.

The only remaining issue is the burden of proof and showing that need to be made in inequitable conduct cases. Initially, as an obvious matter, the burden is on the infringement defendant to raise the inequitable conduct defense.⁴⁴² The defendant must make out a clear and convincing case that the plaintiff patentee or its prosecuting attorney engaged in inequitable conduct during the prosecution of the patent.⁴⁴³ Further, the “who, what, when, where, and how” of the circumstances

⁴³⁷ See 37 C.F.R. § 1.56 (imposing a duty to submit all *known* information) (emphasis added).

⁴³⁸ 267 F.3d 1370, 1384–85 (Fed. Cir. 2001).

⁴³⁹ *Id.* at 1382–83.

⁴⁴⁰ See, e.g., *Novo Nordisk Pharms., Inc. v. Bio-Tech. Gen. Corp.*, 424 F.3d 1347, 1361–62 (Fed. Cir. 2005) (finding an intent to deceive without any direct knowledge of materiality based on the inventors failure to disclose truthful information to their attorneys).

⁴⁴¹ See *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) (referring to the use of an inequitable defense as a plague on reputable lawyers).

⁴⁴² *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2007).

⁴⁴³ *Id.*

must be pleaded with particularity after *Exergen*.⁴⁴⁴ Given the range of activities that can trigger a finding of inequitable conduct, it may still be easy enough for the defendant to make out at least some *prima facie* case against the patentee or her attorney.⁴⁴⁵ The patentee could then simply respond that the case is not supported by the requisite clear and convincing evidence.⁴⁴⁶

However, findings of inequitable conduct seem to be affirmed by the Federal Circuit most often when the plaintiff and her prosecuting attorney have either no response to the allegations or cannot recall why they chose a specific course of action such as withholding a reference that was determined to be material by the court.⁴⁴⁷ Further, given the *Exergen* interpretation of the heightened pleading standard under Rule 9(b), allegations of inequitable conduct will need to be more specific to survive, but this will mean that the patentee plaintiffs will be pressured even further to respond to them. District courts and the Federal Circuit are more inclined to give good faith “credit” when plaintiffs and their attorneys can give a reasonable explanation why they withheld a reference or submitted it in a certain way, even if the court ultimately determines that the reference should have been submitted, or submitted in a different manner.⁴⁴⁸ However, the Federal Circuit has also made it clear that evidence of good faith is not necessarily exculpatory.⁴⁴⁹ Instead, it is a factor that courts must weigh in equity.⁴⁵⁰ Further the quantum of good faith evidence needed to outweigh evidence of inequitable conduct varies depending on the materiality of the information withheld or submitted improperly.⁴⁵¹ Because a highly material document requires only a low showing of intent to deceive, then the plaintiff and her prosecuting attorney effectively need to make a greater showing of evidence of good faith (while also of course rebutting the allegations of bad faith).⁴⁵² At the same time, the plaintiff and her prosecuting attorney could also attempt to show that the information in question was not that highly material.⁴⁵³ This would increase the level of evidence of intent to deceive that the defendant would need to show, and thus decrease the level of evidence of good faith that the plaintiff and her prosecuting attorney need to show.⁴⁵⁴

Related to this, some of the recent case law suggests that patent attorneys need to take more care in how they summarize, list, or submit references to the examiner. Following an earlier precedent on burying the reference, highly material references that are submitted without distinction in a long list of other less material documents

⁴⁴⁴ *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1327 (Fed. Cir. 2009).

⁴⁴⁵ See discussion *supra* Part III.A.1.

⁴⁴⁶ See *Star Scientific*, 537 F.3d at 1365.

⁴⁴⁷ See, e.g., *Monsanto II*, 514 F.3d 1229, 1236 (Fed. Cir. 2008).

⁴⁴⁸ See *id.* at 1236, 1242.

⁴⁴⁹ See *Carbide Blast Joints, Inc. v. Rickert Precision Indus., Inc.*, Nos. 95-1040, 95-1059, 1995 U.S. App. LEXIS 33800, at *13 (Fed. Cir. Dec. 4, 1995) (“[T]he burden is not on the patentee to prove good faith during the prosecution, but on the alleged infringer to prove deceptive intent.”).

⁴⁵⁰ *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988).

⁴⁵¹ See, e.g., *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997) (“The more material the omission or the misrepresentation, the lower the level of intent required to establish inequitable conduct, and vice versa.”).

⁴⁵² See *id.*

⁴⁵³ See *id.*

⁴⁵⁴ See *id.*

could be seen as misleading.⁴⁵⁵ Further, summaries or abstracts of material references, especially those in foreign languages with no or only partial translations, must be done with care to clearly communicate both the content and relative importance of the reference.⁴⁵⁶

The bottom line is that it is highly recommended that prosecuting attorneys use notes or other mechanisms to help them recall why they made decisions related to materiality and manner of submission of information in any given prosecution, as well as communicate the content and importance of references clearly to the examiner. Because litigation to enforce a patent can occur years after the prosecution concluded, reliance on unaided memory may not be enough. Of course, it may be that so many Federal Circuit cases affirming findings of inequitable conduct feature prosecuting attorneys who cannot remember why they took a specific course of action simply because the attorneys in fact were trying to deceive the USPTO and thus have no credible story otherwise.⁴⁵⁷ Nonetheless, some of the cases seem to involve fairly weak evidence of intent to deceive.⁴⁵⁸ But a determination of high materiality of the reference in question, combined with a prosecuting attorney who cannot or will not explain why he made the decision he did about the reference in good faith, seem to constitute the majority of Federal Circuit affirmances of inequitable conduct holdings.

B. Restricting Infringement Pleadings to Damages at Law to Cut Off Inequitable Conduct Defenses

The wide range of inequitable conduct fact patterns seems to defy any single tactical response by patent owner plaintiffs in litigation, other than simply to hope that they can show that the patent applicant and attorneys did not attempt to deceive the USPTO during prosecution. The suggestions in the preceding section can help applicants and their attorneys establish records during prosecution showing good faith disclosure practices. But none of this will likely stem the tide of inequitable conduct accusations in patent litigation, even as the Federal Circuit seems to be signaling its displeasure with the widespread use of the doctrine in cases like *Exergen* and attempting to fashion new “interpretations” of binding precedent and procedural rules to limit its use. As Judge Markey noted during the first “plague” of inequitable conduct defenses, even reputable litigators who do not actually have any real sense that the patent applicant or attorney engaged in inequitable conduct during prosecution may still feel compelled to investigate and attempt to raise the defense for their clients as part of the requisite zealous

⁴⁵⁵ See *Penn Yan Boats, Inc. v. Sea Lark Boats, Inc.*, 359 F. Supp. 948, 964–65 (S.D. Fla. 1972), *aff'd*, 479 F.2d 1328 (5th Cir. 1973).

⁴⁵⁶ See *Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, 204 F.3d 1368, 1378 (Fed. Cir. 2000).

⁴⁵⁷ See, e.g., *Monsanto II*, 514 F.3d 1229, 1236 (Fed. Cir. 2008) (finding inequitable conduct where the attorney failed to remember “anything” regarding omitted material).

⁴⁵⁸ See, e.g., *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 487 F.3d 897, 926 (Fed. Cir. 2007) (Newman, J., dissenting) (“It is not clear and convincing evidence of deceptive intent that the applicant did not inform the examiner of the examiner’s grant of a related case . . .”).

advocacy.⁴⁵⁹ Yet, as Judge Markey also noted, use of the defense necessarily impugns the reputation of the patent attorney involved and is a serious *ad hominem* attack.⁴⁶⁰ Of course, if there is evidence that the patent attorney did engage in shady practices with the USPTO then full-throated use of the defense is encouraged.⁴⁶¹ Low integrity patent attorneys should absolutely be called to task for bad practices. The issue instead is what can be done for the apparently large number of unfounded allegations of inequitable conduct. *Exergen* will certainly trim some of these, but only to the extent that defendants cannot even concoct particularized enough allegations of inequitable conduct. *Vita-Mix*, following *Bose*, may also discourage the use of the defense because defendants will now be put on notice that the patentee plaintiff can simply assert that it thought the misstatement or misrepresentation was true when made to the USPTO.⁴⁶² Essentially this flips around what had been the prevailing state of affairs in which the defendant could simply assert an inequitable conduct story, which the patentee plaintiff would ignore at its peril. Now the patentee plaintiff can simply assert its good faith and the defendant will have to provide clear and convincing evidence that the statements were made with intent to deceive the USPTO. This may perhaps be how it should be. But, none of it alters the core doctrine and Supreme Court precedent, which means that ultimately the doctrine is likely to continuing creating mischief even if there is a temporary slowdown in its use after *Exergen*.

One radical response is for patent owners to plead only for damages-at-law when enforcing their patents through infringement suits. In theory, since the patentee plaintiff would not be coming to equity, then it would not matter whether it had "clean hands" or not. The unclean hands doctrine is only an equitable doctrine and is specifically tied to the plaintiff's pleading posture.⁴⁶³ As the *Precision Instruments* Court noted, the principle is that extraordinary equitable relief, such as injunctions, should not be granted by the court where the plaintiff who requests it himself has engaged in bad acts.⁴⁶⁴ There appears to be no such principle for the ordinary relief of monetary damages-at-law. Short of deception or other bad acts within a law-only proceeding, regular or statutory damages should be awarded almost regardless of what the plaintiff has done outside of the courtroom.

One might raise the issue of countervailing analogies such as the defenses of fraud, duress, or coercion in contract law. In those cases, even if the plaintiff was pleading only for damages at law for breach of contract—and not any equitable kind of contract relief such as specific performance—then the defendant could still argue that it was coerced or deceived into signing the contract.⁴⁶⁵ If the conduct was egregious enough, then the court may well decide not to enforce the contract.⁴⁶⁶ However, the analogy back to patent law and fraud on the USPTO is imperfect for all the reasons that the courts stated in refusing to allow a defense in private actions

⁴⁵⁹ *Burlington Indus. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988).

⁴⁶⁰ *Id.*

⁴⁶¹ *See id.* (requiring "clear and convincing evidence").

⁴⁶² *See Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1332 (Fed. Cir. 2009).

⁴⁶³ *See J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1560–61 (Fed. Cir. 1984).

⁴⁶⁴ *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814 (1945).

⁴⁶⁵ *See, e.g., Sys. Tech. Assocs., Inc. v. United States*, 699 F. 2d. 1383, 1385–87 (Fed. Cir. 1983).

⁴⁶⁶ *See, e.g., id.*

based on allegations of fraud on the USPTO before *Precision Instruments*.⁴⁶⁷ While in the contract situation the defendant is the party coerced or deceived, in patent litigation between private parties the party deceived—the USPTO—is not joined. Thus, in a “damages-only” suit, a defense or action based on fraud on the USPTO could only be raised if the USPTO were a party.

As mentioned at the outset of this Article, the initial United States Patent Acts did not even provide for equitable actions or relief for patent owners.⁴⁶⁸ Only damages-at-law were available.⁴⁶⁹ Once equitable relief was authorized in 1819, the Patent Act and Patent Office procedure were still very much in flux, in particular as to the nature of the registration or examination procedure in place at any given time.⁴⁷⁰ Further, up until the 1836 Act, members of the public could challenge issued patents within a certain time period, especially on the basis that the patent “was obtained surreptitiously by, or upon, false suggestions”.⁴⁷¹ Thus, in many cases, private defendants in infringement cases could bring a separate proceeding with the Patent Office to cancel the patent. Further, as also set out above, all of the Acts up through the Consolidated Patent Act of 1870 authorized defendants to defend themselves by alleging that the patentee had not included the “whole of the truth” in the specifications for their patents.⁴⁷² While not a true “fraud on the USPTO” defense, the statutory provisions were directed to patents that were either too broad (“more than is necessary to produce the desired effect”) or inadequately enabled (“less than the whole truth relative to his invention or discovery”).⁴⁷³ The defenses were a kind of *de facto* “fraud on the USPTO” defense though in that they were based on patent applicants attempting to mislead the Patent Office (and by extension the public).

The narrow scope of the defense had caused some defendants to invoke equitable principles to defend against patentees who had obtained patents or term extensions through fraud on the Patent Office (other than misleading as to the breadth of the patent claims or providing inadequate enablement). Thus, in *Rubber Co. v. Goodyear*, the Supreme Court considered an appeal by defendants adjudged infringers of the extension of a reissued patent of Charles Goodyear for vulcanized India-rubber as a manufacture.⁴⁷⁴ Among other things, the appellant-defendants had sought to challenge the Commissioner's decision to grant the extension on grounds that Goodyear's estate had engaged in fraud to procure the extension.⁴⁷⁵ However,

⁴⁶⁷ See discussion *supra* Part I.

⁴⁶⁸ See discussion *supra* Part I.

⁴⁶⁹ See Patent Act of 1793, ch. 11, § 5, 1 Stat. 318, 322 (repealed 1836) (current version at 35 U.S.C. § 284 (2006)) (providing damages for making, devising and using, or selling any patented art without the consent of the patentee); Patent Act of 1790, ch. 7, § 4, 1 Stat. 109, 111 (repealed 1793) (current version at 35 U.S.C. § 284 (2006)) (same).

⁴⁷⁰ See Act of Feb. 15, 1819, ch. 19, § 1, 3 Stat. 481, 481–82 (repealed 1836) (current version at 35 U.S.C. § 283 (2006)) (granting federal courts the authority to grant injunctions).

⁴⁷¹ Patent Act of 1790, ch. 7, § 5, 1 Stat. at 111 (providing that such actions must be commenced within one year of patent issuance); see also Patent Act of 1793, ch. 11, § 10, 1 Stat. at 323 (extending the time period to within three years of patent issuance).

⁴⁷² Patent Act of 1870, ch. 230, § 61, 16 Stat. 198, 208 (repealed 1952) (current version at 35 U.S.C. § 282 (2006)).

⁴⁷³ *Id.*

⁴⁷⁴ 76 U.S. 788, 789–90 (1869).

⁴⁷⁵ *Id.* at 790.

the Patent Act of 1836, as amended, did not provide for annulment or invalidation of the patent based on fraudulent procurement—except in limited cases in an interference proceeding or in an action brought by the United States Government.⁴⁷⁶ The appellant-defendants invoked equity instead because the case had been brought by Goodyear’s estate in both law for damages and equity for an injunction.⁴⁷⁷ Specifically, they asked the courts to look at their allegations of fraud in the procurement of the extension and set aside the extension based on that fraud.⁴⁷⁸ Both the lower court and the Supreme Court declined to exercise such authority for reasons the *Rubber Co.* Court sets out in the following excerpt:

The 16th section of the act of 1836 authorizes a court of equity, in cases of interference, to take jurisdiction and annul the patent issued to the party in the wrong. Beyond this the patent laws are silent upon the subject of the exercise of such authority. This review furnishes a strong implication that i[t] was the intention of Congress not to allow a patent to be abrogated in any collateral proceeding, except in the particular instance mentioned, but to leave the remedy in all other cases to be regulated by the principles of general jurisprudence. To those principles we must look for the solution of the question before us. . . .

The extension was granted by the commissioner pursuant to the first section of the act of 1848 and the eighteenth section of the act of 1836. The latter declares that upon the making and recording of the certificate of extension “the said patent shall have the same effect in law as though it had been originally granted for the term of twenty-one years.” The law made it the duty of the commissioner to examine and decide. He had full jurisdiction. The function he performed was judicial in its character. No provision is made for appeal or review. His decision must be held conclusive until the patent is impeached in a proceeding had directly for that purpose according to the rules which define the remedy, as shown by the precedents and authorities upon the subject. We are not, therefore, at liberty to enter upon the examination of the evidences of fraud to which we have been invited by the counsel for the appellants. The door to that inquiry in this case is closed upon us by the hand of the law. The rule which we have thus laid down is intended to be limited to the class of cases to which, as respects the point in question, the one before us belongs. We decide nothing beyond this.⁴⁷⁹

Likewise, in *Mowry v. Whitney*, Whitney had the first patent on an improved process of annealing car wheels, while Mowry obtained a patent on an improved process for the same, just as Whitney’s patent was set to expire.⁴⁸⁰ Whitney applied for and received an extension on his patent.⁴⁸¹ Mowry presumably timed his patent

⁴⁷⁶ Patent Act of 1836, ch. 357, § 16, 5 Stat. 117, 123–24 (repealed 1870); *Rubber Co.*, 76 U.S. at 797.

⁴⁷⁷ *Rubber Co.*, 76 U.S. at 790.

⁴⁷⁸ *Id.*

⁴⁷⁹ *Id.* at 797–98 (footnote omitted).

⁴⁸⁰ 81 U.S. 434, 434 (1871).

⁴⁸¹ *Id.* at 434–35.

and commercial deployment of the process to the expiration of the Whitney patent because his improvement technique might still infringe Whitney's earlier patented technique. Whitney sued Mowry and alleged quite high damages—higher in fact than would be supported by the profits he had sworn to the Commissioner of Patents to secure the extension.⁴⁸² In the course of that litigation, Mowry was unable to defend himself on the grounds of alleged fraud in the procurement of the extension, likely because of the reasoning in *Rubber Co.*⁴⁸³ He was also apparently unable to show that Whitney's statements regarding damages were in fact the fraud. Taking a different tack, Mowry sued Whitney in a different action alleging *inter alia* fraud in the procurement of the extension and praying for relief that the patent be declared void *ab initio*.⁴⁸⁴ Whitney demurred and essentially admitted the fraud, but argued that: i) the United States Government would have to be a party to any action to annul the patent; and ii) both the original and extension terms of the patents had expired by the time Mowry filed his action and thus the whole case was moot.⁴⁸⁵ The lower court agreed and dismissed the case.⁴⁸⁶

On appeal, the Supreme Court affirmed the decision on the grounds that no private party can sue to have a patent voided without joining the United States Government as a party.⁴⁸⁷ This was because the fraud has been perpetrated on the Government, not the private party.⁴⁸⁸ The *Mowry* Court did consider an alternate argument that the equitable decree sought was only between the two private parties, essentially sidestepping the argument that the Government, as the defrauded party, needed to be party to the action.⁴⁸⁹ However, the Court's position was that this would lead to great problems because:

A suit by [a private party] could only be conclusive in result as between the patentee and the party suing, and it would remain a valid instrument as to all others. . . . The patentee would or might be subjected to innumerable vexatious suits to set aside his patent, since a decree in his favor in one suit would be no bar to a suit by another party.⁴⁹⁰

Further,

it is no hardship to require [the private party] to satisfy the Attorney-General that the case is one in which the government ought to interfere either directly by instituting the suit, or indirectly by authorizing the use of its name, by which the Attorney-General would retain such control of the

⁴⁸² *Id.* at 435.

⁴⁸³ *See Rubber Co.*, 76 U.S. at 797–98.

⁴⁸⁴ *Mowry*, 81 U.S. at 437.

⁴⁸⁵ *Id.* at 436–37.

⁴⁸⁶ *Id.*

⁴⁸⁷ *Id.* at 441.

⁴⁸⁸ *Id.*

⁴⁸⁹ *Id.* at 440–41.

⁴⁹⁰ *Id.* at 441.

matter as would enable him to prevent oppression and abuse in the exercise of the right to prosecute such a suit.⁴⁹¹

Just as *Mowry v. Whitney* was being considered, Congress passed the Consolidated Patent Act of 1870,⁴⁹² that would remain in place, as amended, until the major overhaul enacted by the Patent Act of 1952.⁴⁹³ Under section 61 of the 1870 Act, infringement defendants in suits at equity or law were given a complete defense if they could show either that: 1) “for the purpose of deceiving the public the description and specification filed by the patentee in the patent office was made to contain less than the whole truth relative to his invention or discovery, or more than is necessary to produce the desired effect;” or 2) “[the patentee] had surreptitiously or unjustly obtained the patent for that which was in fact invented by another, who was using reasonable diligence in adapting and perfecting the same”⁴⁹⁴

Accordingly, through the end of the nineteenth century, defenses for fraudulent procurement still appeared to be limited to cases in which the patentee had deceived the Patent Office to obtain a larger scope of patent rights or had misappropriated the invention from another.⁴⁹⁵ All other fraudulent procurement would have to be remedied by intervention of the United States Government, such as in *United States v. American Bell Telephone Co.*⁴⁹⁶ However, as both the statutory private defenses and fraudulent procurement actions by the Government were based on common law notions of fraud, private defendants and the Government had to show the requisite *scienter* on the part of the patentee.⁴⁹⁷

This was the backdrop for *Precision Instruments*.⁴⁹⁸ In this light, one can see that the holding of the case is simultaneously narrow and broad. It is narrow because it only holds that a court can invoke the equitable doctrine of unclean hands to refuse to exercise its equitable powers to fashion the extraordinary relief in the form of an injunction that the plaintiff has requested.⁴⁹⁹ It is broad because the court can withhold such equitable powers for an almost limitless range of activities that could be construed as “fraud light” or vaguely “inequitable conduct” that fails to meet the high standards of the duties of candor and good faith established by the Supreme Court for patent applicants and their attorneys.⁵⁰⁰

The question then is what happens to the *Precision Instruments* defense if the plaintiff requests only damages-at-law. On one hand, one can respond that contemporary federal courts are mixed courts of law and equity and so equity and law claims are not severable.⁵⁰¹ Along this line, then, nothing would prevent the defendant from bringing equitable counter claims, even if the plaintiff only pled for damages at law. But outside of the special category of *Walker Process* antitrust-

⁴⁹¹ *Id.*

⁴⁹² Patent Act of 1870, ch. 230, § 1, 16 Stat. 198 (repealed 1952).

⁴⁹³ Patent Act of 1952, ch. 1, § 1, 66 Stat. 792.

⁴⁹⁴ Patent Act of 1870, ch. 230, § 61, 16 Stat. at 208.

⁴⁹⁵ *See id.*

⁴⁹⁶ 128 U.S. 315 (1888); *see* discussion *supra* Part II.

⁴⁹⁷ *See Am. Bell Tel.*, 128 U.S. at 353–55.

⁴⁹⁸ 324 U.S. 806 (1945).

⁴⁹⁹ *Id.* at 814–15.

⁵⁰⁰ *Id.* at 815.

⁵⁰¹ *See id.*

based counter claims, inequitable conduct is raised as a defense not as counter claims.⁵⁰² Thus, on the other hand, because the equitable doctrine of unclean hands appears to only be triggered by the plaintiff's request of equitable relief—and thus is limited to a rebuff of the plaintiff's equitable claim—then the defense should be ineffective as to plaintiff's claims for damages-at-law.⁵⁰³ The plaintiff is simply not “coming to equity” and there is then no request for an exercise of equitable powers for the court to reject based on unclean hands. The Federal Circuit has made it clear that there are still critical distinctions among judicial powers to determine question of law, fact, and equity.⁵⁰⁴ Thus, the fact that federal courts can exercise all of these powers in the same proceeding does not mean that the distinctions no longer have meaning or importance. The exercise of equitable principles and powers still differs significantly from the exercise of legal principles and powers, as well as from matters that must be decided as questions of fact.⁵⁰⁵

One might further argue for the defendant that the court can simply refuse to enforce the patent on even a “damages-only” basis if it finds fraud in the procurement of the patent. But then we are back to the pre-*Precision Instruments* case law that found this not possible if the Patent Office and/or United States Government were not also a party to the action.⁵⁰⁶ Nothing in *Precision Instruments* overturns this earlier case law, except to permit courts to refuse to exercise their equitable powers upon plaintiff's request of equitable relief.⁵⁰⁷ Accordingly, it would take a new decision by the Supreme Court to specifically hold that courts could withhold their powers at law based on an argument of “fraud on the USPTO.” One could also argue that the Supreme Court's language about protecting the public interest in *Precision Instruments* adds to the sense that a court should be able to refuse to enforce a patent even in a “damages-only” suit for fraud on the USPTO if the public would seem to be harmed by the deceptively obtained patent.⁵⁰⁸ However, the public interest language was also limited to the context of justifying courts' refusal to exercise their equitable powers to grant the equitable relief requested by the plaintiff.⁵⁰⁹

There could be another analogy to contract law in the nature of the ability of courts to refuse to enforce contracts—whether at law or equity—where the contract is against public policy.⁵¹⁰ There is still a moral utility doctrine in patent law which provides a public policy type limitation on the kinds of patents that may be issued,

⁵⁰² See 35 U.S.C. § 282 (2006) (providing statutory defenses to infringement); *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1560–61 (Fed. Cir. 1984).

⁵⁰³ See 35 U.S.C. §§ 282–283; *J.P. Stevens & Co.*, 747 F.2d at 1560–61.

⁵⁰⁴ *Kingsdown Med. Consultants, Inc. v. Hollister, Inc.*, 863 F.2d 867, 873, 876 (Fed. Cir. 1988).

⁵⁰⁵ *Id.* For example, if the issue to be decided is one of law, not equity, and there is a question of fact, then the Seventh Amendment right to a jury trial may be triggered. See U.S. CONST. amend. VII. As the Federal Circuit has affirmed, this would not be the case for a factual question that a judge determines to be necessary to her determination of an equitable issue. See discussion *supra* Part II.

⁵⁰⁶ See *Mowry v. Whitney*, 81 U.S. 434, 439 (1871) (“[N]o one but the government . . . can institute judicial proceedings for the purpose of vacating or rescinding the patent which the government has issued to an individual . . .”).

⁵⁰⁷ See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814–15 (1945).

⁵⁰⁸ *Id.* at 816.

⁵⁰⁹ *Id.*

⁵¹⁰ See U.C.C. § 2-302 (2009).

but this is currently a weak doctrine and only applied in the most egregious cases.⁵¹¹ More critically, the doctrine is only applicable in the context of a patent validity challenge.⁵¹² So the defendant would have to argue that the patent should be invalid for lack of moral utility because of some dubious disclosures during prosecution. It is not clear how well this would work because the morality involved in moral utility is that of the making or use of the invention itself, not the applicant's or attorney's conduct in securing the patent.⁵¹³ Reaching beyond this, a defendant would have to argue that a court could fashion a public policy limit on enforcement of patents for damages-at-law even in the absence of anything that seems to authorize this in the Patent Act. A court might be receptive to this, but it would not be supported by existing case law or the statute. Further, any attempt to fashion a judicial rule to this effect might be unconstitutional as a matter of courts' powers and statutory interpretation. Therefore, the “damages-only” tactic would likely be a valid hedge against the use of the *Precision Instruments* inequitable conduct defense until or unless the Supreme Court rules either that the unclean hands doctrine in fact applies to damages-at-law claims or that there is a public policy limitation on the enforcement of patents solely in damages-at-law.

Note also that neither Rule 56 nor the IDS Rules separately establish an inequitable conduct defense.⁵¹⁴ These rules are only rules as to patent applicants and attorneys behavior in interactions with the USPTO.⁵¹⁵ Tracing back to their origins, they were intended only as aids to applicants and attorneys who might be unfamiliar with the inequitable conduct case law.⁵¹⁶ By the USPTO's own clear statements, the rules do not—because they cannot—supersede inequitable conduct case law.⁵¹⁷

There are three remaining hurdles for the “damages-only” tactic to be deployed however. The first is that a court might question the value or effectiveness of a one-time suit for damages, with no injunctive relief or equitable settlement fashioning a license going forward. Behind this would be a court's reluctance to allow the patent owner to come back to it repeatedly for ongoing infringement. The court could argue that this would be *de facto* equitable relief, and then either disallow the case or permit the defendant to raise the inequitable conduct defense as if the plaintiff had brought equitable claims.⁵¹⁸ However, this would be somewhat speculative on the court's part, and perhaps beyond its authority to decide. Plaintiffs should be able to request any available remedies at law or equity regardless of how advisable or effective this may seem to the court. Further, in the early years of the Patent Act only damages-at-law were available.⁵¹⁹ Granted that equitable relief might have

⁵¹¹ See, e.g., *Juicy Whip, Inc. v. Orange Bang, Inc.*, 185 F.3d 1364, 1366 (Fed. Cir. 1999) (“[I]nventions that are ‘injurious to the well-being, good policy, or sound morals of society’ are unpatentable.” (quoting *Lowell v. Lewis*, 15 F. Cas. 1018, 1019 (C.C.D. Mass. 1817))).

⁵¹² See *id.* at 1366–67.

⁵¹³ *Id.*

⁵¹⁴ See 37 C.F.R. §§ 1.56, 1.97–1.98 (2008).

⁵¹⁵ *Id.*

⁵¹⁶ See Patent Examining and Appeal Procedures, 42 Fed. Reg. 5,588, 5,589 (Jan. 28, 1977) (to be codified at 37 C.F.R. pt. 1) (“The expanded wording of the section is intended to be helpful to individuals who are not expert in the judicially developed doctrines concerning fraud.”).

⁵¹⁷ *Id.* at 5,588–5,589.

⁵¹⁸ The Author thanks Eric Schnapper for raising this point in a conversation.

⁵¹⁹ See Patent Act of 1793, ch. 11, § 5, 1 Stat. 318, 322 (repealed 1836) (current version at 35 U.S.C. § 284 (2006)) (providing damages for making, devising and using, or selling any patented art

been added because the “damages-only” regime may have been deemed ineffective.⁵²⁰ But this too is mere speculation. Equitable relief may have been added to the Act simply because it seemed additionally advisable, not because the “damages-only” regime was fatally defective. At the same time, the long-standing existence of treble damages in the Act can provide a mechanism for a “damages-only” regime or claims to be effective.⁵²¹

This leads to the second remaining hurdle—whether patent owners would want to seek only damages in enforcing their patents. Before *eBay Inc. v. MercExchange, L.L.C.*,⁵²² this may have been a tougher sell. It is widely acknowledged in the patent bar that the threat of injunctive relief is the single biggest weapon in the patent owner’s arsenal.⁵²³ The possibility of an injunction keeps infringers from deciding that infringement is a decent gamble because it is simply a matter of paying the patent owner later instead of now—and possibly not paying at all if the infringement is not detected, or the infringer invalidates the patent, or the infringer can obtain a ruling that it is not infringing the patent in the later litigation. The Federal Circuit’s near “automatic” rule of issuing injunctions following a finding of infringement before *eBay* made the threat of injunction that much more powerful for patent owners. But *eBay* itself then diminishes the supremacy of the injunction over damages for patent owners.⁵²⁴ Because there are now a number of avenues for defendants to avoid an injunction, even if they are found to have infringed a valid patent, more focus needs to be paid by patent owners to the effectiveness of damages.⁵²⁵ Granted *eBay* is not a decision that forecloses equitable relief overall when the court finds that the patent owner does not satisfy its burden with regard to the four factor traditional tort test for the issuance of injunction.⁵²⁶ Instead, it simply makes it harder for the patent owner to get an injunction.⁵²⁷ But in such cases the courts have generally fashioned equitable settlements in the form of licenses or other royalty bearing arrangements for future use of the patented invention⁵²⁸. Thus, equitable relief still plays a major role for patent owners even post-*eBay*.

This Article takes the position that patent owners who know there is a good chance that the court will deny their request for an injunction may well decide that it could be worth avoiding the morass of an inequitable conduct inquiry and defense in exchange for giving up the right to have the court fashion a settlement if the patent

without the consent of the patentee); Patent Act of 1790, ch. 7, § 4, 1 Stat. 109, 111 (repealed 1793) (current version at 35 U.S.C. § 284 (2006)) (same).

⁵²⁰ See Act of Feb. 15, 1819, ch. 19, § 1, 3 Stat. 481, 481–82 (repealed 1836) (current version at 35 U.S.C. § 283 (2006)) (granting federal courts the authority to grant injunctions).

⁵²¹ Patent Act of 1793, ch. 11, § 5, 1 Stat. at 322.

⁵²² 547 U.S. 388 (2006).

⁵²³ See, e.g., Matthew D. Powers & Steven C. Carlson, *The Evolution and Impact of the Doctrine of Willful Patent Infringement*, 51 SYRACUSE L. REV. 53, 100–01 (2001) (discussing the potency of the threat of a permanent injunction).

⁵²⁴ *eBay, Inc.*, 547 U.S. at 391, 394.

⁵²⁵ *Id.*

⁵²⁶ *Id.*

⁵²⁷ *Id.*

⁵²⁸ See, e.g., *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 444 (E.D. Tex. 2006) (denying plaintiff’s motion for a permanent injunction and ordering the plaintiff to file quarterly reports indicating the number of infringing units sold by defendant for recovery of future monetary damages due to defendant’s continuing post-verdict infringement).

is found valid and infringed. For example, owners of health care related patents may be more susceptible to post-*eBay* adverse rulings on their requests for injunctive relief where such injunctions could jeopardize public health interests.⁵²⁹ At the same time, the threat of treble damages may be enough for the defendant to be willing to settle with the patent owner out of court. Further, if the inequitable conduct defense is taken off the table because the patent owner pleads only for damages-at-law, then the defendant may be that much more willing to enter into an out-of-court settlement with the plaintiff, especially if it knows that the patent is likely valid and infringed by it.

The third and final remaining hurdle to use of the “damages-only” tactic is that the patent owner will have to be scrupulous about bringing the suit when it becomes aware of the infringement and not waiting for damages to rise over time, on pain of dismissal of the case on the basis of laches.⁵³⁰ Granted, this is already the rule, but in a “damages-only” context, the patent owner may feel that it is critical to let damages build as much as possible before bringing suit. This will be especially true if courts would seem to favor a “one shot only” rule for patent owners to bring suit against a particular defendant. But plaintiffs may then find that the damages are insufficient to justify the suit either on a cost recovery or deterrent basis.

A final issue remains as to execution of the strategy. As discussed *supra* in the context of *Monsanto I* and *Monsanto II*, there are a few avenues open for parties adverse to the patent owner to raise or keep alive an inequitable conduct claim.⁵³¹ As a preliminary matter, however, this Article contends that a claim of unenforceability for inequitable conduct may not be raised by a party *sua sponte* such as in an action for declaratory judgment. The claim may only be raised as a defense to a patent owner's action at law and equity to assert its patents.⁵³² However, if/when the patentee-defendant in a declaratory judgment action counterclaims for infringement of its patents, then the door is open for the plaintiff to raise the inequitable conduct defense. At this point, even if the patentee-defendant later withdraws its infringement claims as to any patents the plaintiff may be able to keep the defense alive as to those patents based on either a necessity-based-on-infection of other patents still at suit or a timely motion for attorneys fees based on the exceptional nature of the case (due to the inequitable conduct) under 35 U.S.C. § 285.⁵³³ Similarly, if the plaintiff is instead the patentee in a regular infringement suit, and it comes to court in both law and equity (seeking injunctive or other equitable relief), then even if it later withdraws any of the patents, the door was again open and so long as the infringement defendant can argue that inequitable conduct with regard to these patents “infected” other patents still in suit, or if the defendant has already filed a motion for attorneys fees based on section 285 and alleged inequitable conduct with regard to the patents, the court is allowed to still find inequitable conduct and hold the withdrawn patents unenforceable.⁵³⁴ Thus, a patent owner contemplating

⁵²⁹ See *eBay, Inc.*, 547 U.S. at 391 (weighing the public interest in the grant of an injunction).

⁵³⁰ See 35 U.S.C. § 282 (2006).

⁵³¹ See discussion *supra* Part II.

⁵³² See discussion *supra* Part II.

⁵³³ See 35 U.S.C. § 285; *Nilssen v. Osram, Inc.*, 504 F.3d 1223, 1230 (Fed. Cir. 2007) (finding withdrawn patents still properly within the lower court's jurisdiction for purposes of inequitable conduct findings).

⁵³⁴ See *Nilssen*, 504 F.3d at 1230.

the “damages-only” strategy would need to make sure that it never requests any kind of equitable relief in either its affirmative claims in an infringement suit or its counter claims in a declaratory judgment action.

CONCLUSION

The inequitable conduct defense has been called a “plague” and its remedy of unenforceability of all claims of a patent has been deemed an “atomic bomb” in patent litigation by judges on the Federal Circuit.⁵³⁵ Congress has considered creating a statutory provision to reform it.⁵³⁶ Many judges and commentators have called for its reform as well.⁵³⁷ And yet it stands essentially as it did when the Supreme Court established it in 1945.⁵³⁸ The reams of cases and amendments to Rule 56 and the IDS Rules do nothing to change its essential nature, other than to obscure that nature to those who do not fully understand the doctrine's history. It is a massive trap for the unwary patent applicant, attorney, and patent owner.

This Article recontextualized this history to better reveal the doctrine's essential nature. It then gave guidelines for how patent applicants and their attorneys can establish a disclosure record that should withstand most attempts at use of the doctrine by infringement defendants in later litigation. Nonetheless, the Article acknowledged that excessive use of the defense—even in cases where patent owners are well prepared with a strong prosecution disclosure record—can be costly and vexatious. By the Federal Circuit's own account, such use has diminished the civility of the patent bar and lowered the reputation of this learned profession.⁵³⁹ Therefore, the Article proposed a radical tactic in which patent owners may be able to cut off the use of the defense by bringing a “damages-only” suit. By restricting the plaintiff's claims to damages-at-law, there can be no issue as to whether the plaintiff “comes to equity with clean hands” because the plaintiff is not coming to equity at all. Accordingly, the court would have no equitable claim to deny on the basis of the equitable maxim of unclean hands. While there are limits to the value of a “damages-only” infringement suit, the Article concluded by arguing that in the right circumstances these limits are matched or offset by limits to suits that include prayers for equitable relief as well. In such cases, the cutting off of an inequitable conduct defense may well be worth the limits of a “damages-only” suit. After all, defusing an atomic bomb or stopping a plague are always risky and may result in some collateral damage. But the magnitude of the harm from the bomb or plague

⁵³⁵ See *Aventis Pharma S.A. v. Amphastar Pharms., Inc.*, 525 F.3d 1334, 1349 (Fed. Cir. 2008) (Rader, J., dissenting); *Burlington Indus. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988).

⁵³⁶ Patent Reform Act of 2009, S. 515, 111th Cong. (2009); Patent Reform Act of 2009, H.R. 1260, 111th Cong. (2009) (introduced simultaneously in the Senate as S. 515).

⁵³⁷ See, e.g., Kate McElhone, *Inequitable Conduct: Shifting Standards for Patent Applicants, Prosecutors, and Litigators*, 17 TEX. INTELL. PROP. L.J. 385, 405 (2009).

⁵³⁸ See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 815 (1945).

⁵³⁹ *Burlington Indus. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) (“[C]harging inequitable conduct in almost every major patent case . . . destroy[sl] the respect for one another's integrity, for being fellow members of an honorable profession, that used to make the bar a valuable help to the courts in making a sound disposition of their cases, and to sustain the good name of the bar itself.”).

may well dwarf the magnitude of the collateral damage. On balance, defusing the bomb and stopping the plague are usually worth it.