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## The Evolution of Intent: A Review of Patent Law Cases Invoking the Doctrine of Inequitable Conduct from Precision to Exergen

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**THE EVOLUTION OF INTENT: A REVIEW OF  
PATENT LAW CASES INVOKING THE  
DOCTRINE OF INEQUITABLE CONDUCT FROM  
*PRECISION TO EXERGEN***

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The opinions and views expressed in this Article are solely those of the authors.

## I. INTRODUCTION

Referred to as a “‘plague,’”<sup>1</sup> an “‘atomic bomb,’”<sup>2</sup> or even “‘the death penalty for patents,’”<sup>3</sup> inequitable conduct is an oft-decried affirmative defense to patent infringement with a “long and vexing history” dating back at least to the 1940s.<sup>4</sup> Inequitable conduct occurs when a patentee, the patentee’s attorney, or anyone substantively involved with the prosecution of a patent breaches a duty of candor and good faith owed to the United States Patent and Trademark Office (USPTO) by affirmatively misrepresenting or failing to disclose material information to the USPTO.<sup>5</sup> Accordingly, those found to pull the wool over the USPTO’s eyes during the patent prosecution process (i.e., during the time when the USPTO considers the patentability of an invention extending at least until issuance of the patent) will not be rewarded with enforceable patents.<sup>6</sup> But it may well be that only a hindsight look—and through the carefully focused lens of litigation—will determine whether the trier of fact or the Federal Circuit concludes that the USPTO was misled.

As a result, if a defendant is sued for allegedly infringing an issued patent, that defendant can allege that the plaintiff’s patent is unenforceable if any such improprieties were carried out during the patent’s prosecution.<sup>7</sup> If the defendant prevails, potentially devastating consequences may flow to the

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<sup>1</sup> *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 n.15 (Fed. Cir. 1988) (en banc) (“[T]he habit of charging inequitable conduct in almost every major patent case has become an absolute plague.” (citing *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988))).

<sup>2</sup> Christopher A. Cotropia, *Modernizing Patent Law’s Inequitable Conduct Doctrine*, 24 *BERKELEY TECH. L. J.* 723, 725 (2009) (“The penalty for failing to discharge this duty is dramatic—coined an ‘atomic bomb’ by one Federal Circuit judge.” (citing *Aventis Pharma S.A. v. Amphastar Pharms., Inc.*, 525 F.3d 1334, 1349 (Fed. Cir. 2008) (Rader, J., dissenting), *cert. denied*, 129 S. Ct. 2053 (2009))).

<sup>3</sup> Nicole M. Murphy, Comment, *Inequitable Conduct Reform: Is the Death Penalty for Patents Still Appropriate?*, 93 *MINN. L. REV.* 2274 (2009).

<sup>4</sup> Sean M. O’Connor, *Defusing the “Atomic Bomb” of Patent Litigation: Avoiding and Defending Against Allegations of Inequitable Conduct*, 9 *J. MARSHALL REV. INTEL. PROP. L.* 330 (2010). “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.” *Id.* at 396 (internal citations omitted).

<sup>5</sup> 37 C.F.R. § 1.56 (2009) (“Each individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the [United States Patent and Trademark] Office, which includes a duty to disclose to the Office all information known to that individual to be material to patentability . . . .”); *see also* Thomas L. Irving et al., *A Year in Review: The Federal Circuit’s Patent Decisions of 1993*, 43 *AM. U. L. REV.* 1259, 1385 (1994) (“Inequitable conduct is an affirmative defense to a patent infringement allegation, stemming from the requirement that applicants for a patent conduct themselves with candor in their dealings with the PTO.”) (internal citations omitted).

<sup>6</sup> *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 1595 (2009) (“[I]t is inequitable to permit a patentee who obtained his patent through deliberate misrepresentations or omissions of material information to enforce the patent against others[;] it is also inequitable to strike down an entire patent where the patentee only committed minor missteps or acted with minimal culpability or in good faith.”).

<sup>7</sup> *See, e.g., Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1313 (Fed. Cir. 2008); *Aventis Pharma S.A. v. Amphastar Pharms., Inc.*, 525 F.3d 1334, 1337 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2053 (2009); *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1989) (en banc).

patentee, including: (1) rendering the entire patent unenforceable,<sup>8</sup> (2) forcing the patentee to pay the opponent's attorney's fees in an infringement suit,<sup>9</sup> and (3) leading to liability under the antitrust laws, Federal Trade Commission Act, or securities laws.<sup>10</sup> It may also stigmatize the attorney (even if the claim of inequitable conduct ultimately proves unsuccessful) and may "lead to disciplinary proceedings against the attorney at the [US]PTO and before his or her state bar."<sup>11</sup>

The inequitable conduct query focuses on two prongs that a party must, at least in theory, establish by clear and convincing evidence: intent and materiality.<sup>12</sup> The level of intent required to trigger a proper finding of inequitable conduct has proved an ever-evolving and inconsistently applied standard, perhaps as a consequence of the intensely factual nature of the intent inquiry.<sup>13</sup> And, because a finding of inequitable conduct can have such far-reaching consequences for the patentee, the unsteady nature of this defense, as applied to any particular set of facts, is troubling to patentees but comforting to alleged infringers.<sup>14</sup> On the other hand, inequitable conduct is

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<sup>8</sup> Alexis N. Simpson, Note, *The Monster in the Closet: Declawing the Inequitable Conduct Beast in the Attorney-Client Privilege Arena*, 25 GA. ST. U. L. REV. 735, 740 n.35 (2009) ("[T]o set up a disincentive for shirking this duty to disclose, courts have permitted defendants to assert, as a defense to a claim of patent infringement, that the patent in suit is unenforceable by reason of the applicant's 'inequitable conduct' in dealings with the PTO." (quoting *Mech. Plastic Corp. v. Rawlplug Co.*, 14 U.S.P.Q.2d (BNA) 1058, 1061 (S.D.N.Y. 1989))). Related patents may also be held unenforceable. See *Consol. Aluminum Corp. v. Foseco Int'l, Ltd.*, 910 F.2d 804, 812 (Fed. Cir. 1990).

<sup>9</sup> *Aspex Eyewear Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1314 (Fed. Cir. 2010) ("A case may be found exceptional in terms of § 285 when there has been some material inappropriate conduct related to the matter in litigation such as willful infringement, fraud or inequitable conduct . . .") (internal citations omitted); *Taltech Ltd. v. Esquel Enters. Ltd.*, 604 F.3d 1324 (Fed. Cir. 2010); *Wedgetail, Ltd. v. Huddleston Deluxe, Inc.*, 576 F.3d 1302, 1304 (Fed. Cir. 2009) (noting that while "only a limited universe of circumstances warrant a finding of exceptionality in a patent case" such that an award of attorneys fees is appropriate, the court has consistently held that inequitable conduct is in this limited universe (citing *Epcos Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1034 (Fed. Cir. 2002))); see also *A.B. Chance Co. v. RTE Corp.*, 854 F.2d 1307, 1312 (Fed. Cir. 1988); 35 U.S.C. § 285 (2006) (allowing for the award for attorney fees in "exceptional cases"); Martin M. Heit, Annotation, *Misconduct Related to Litigation as Rendering Patent Case "Exceptional" for Purposes of 35 U.S.C.A. § 285, Providing that in Exceptional Cases, Court May Award Reasonable Attorneys' Fees to Prevailing Party*, 64 A.L.R. FED. 175 (1983).

<sup>10</sup> *Simpson, supra* note 8, 735–36; see also *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965) (holding that an antitrust claimant can establish a violation under § 2 of the Sherman Act by showing that a fraudulently procured patent allowed the patent holder to secure the necessary exclusionary power in the relevant market); *Tapeswitch Corp. of Am. v. Recora Co.*, 196 U.S.P.Q. (BNA) 348 (N.D. Ill. 1977) (involving a counterclaim by an alleged infringer, charging that the patent holder attempted to monopolize commerce in electric switching mats in violation of § 2 by fraudulently procuring a patent); Eunice A. Eichelberger, Annotation, *Fraud in Patent Procurement as a Violation of § 2 of the Sherman Act (15 U.S.C.A. § 2)*, 65 A.L.R. FED. 408 (1983). *But see* *Dippin' Dots, Inc. v. Mosey*, 476 F.3d 1337 (Fed. Cir. 2007) (reversing a jury finding that the plaintiff violated the antitrust laws by asserting a patent that had been procured through inequitable conduct).

<sup>11</sup> Jerry Cohen, *Ethical Issues in Intellectual Property*, in *ETHICAL LAWYERING IN MASSACHUSETTS* § 15.3 (2007); see also *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 252 (1944) (noting in the dissent that traditional remedies, such as disbarment, are available against those perpetrating fraud against the courts).

<sup>12</sup> See 37 C.F.R. § 1.56 (2009).

<sup>13</sup> See discussion *infra* Parts II–IV.

<sup>14</sup> For instance, conduct during the prosecution of a patent that may lead to a finding of inequitable conduct often occurs many years before the patent is litigated and inequitable conduct is alleged.

a defense against infringement, as noted. Hence, the unpredictability of the defense can be equally disconcerting to alleged infringers.

This Article will address that unpredictability in the governing law for inequitable conduct in the patent law arena, with a particular focus on the intent prong. First, this Article will explore the intent prong of the inequitable conduct doctrine, from its inception in 1940s Supreme Court cases through its evolution up to the 1980s and 1990s.<sup>15</sup> Next, this Article will delve into modern articulations of the doctrine of inequitable conduct, with a particular focus on the impact, if any, of the heightened pleading standards set forth in *Exergen Corp. v. Wal-Mart Stores, Inc.*<sup>16</sup> Finally, this Article will conclude by looking ahead at the trajectory of the law of inequitable conduct, particularly in view of the Court of Appeals for the Federal Circuit's decision, for the first time in over twenty years, to hear the issue en banc.<sup>17</sup>

## II. THE PAST: EARLY ARTICULATIONS OF THE DOCTRINE OF INEQUITABLE CONDUCT

### A. *The Supreme Court Weighs In: Precision Instrument and Its Predecessors*

There has never been any statute in U.S. law clearly governing inequitable conduct, and there is certainly none in the present Patent Act.<sup>18</sup> The USPTO's Rule 56 has provided the basis for inequitable conduct law of the last sixty years.<sup>19</sup> The United States Supreme Court first clearly articulated the doctrine in its 1945 decision, *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*<sup>20</sup> Beginning as early as 1888, the Court intimated that fraudulent patent procurement would not be tolerated.<sup>21</sup> A brief look at the facts in those early Supreme

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Accordingly, patent practitioners must be mindful that actions thought to satisfy the duty of candor to the USPTO during prosecution may not satisfy the standard that will be applied years down the road if the patent is litigated. And troubling to the patentees in the United States, new twists on the doctrine of inequitable conduct tend to apply retroactively.

<sup>15</sup> See discussion *infra* Part II.

<sup>16</sup> See discussion *infra* Part III.

<sup>17</sup> See discussion *infra* Part IV.

<sup>18</sup> See generally 35 U.S.C. §§ 1–376 (2006).

<sup>19</sup> 37 C.F.R. § 1.56 (2009) (defining the duty of candor owed to the USPTO, a violation of which constitutes inequitable conduct); *cf.* O'Connor, *supra* note 4, at 332 (noting that although the Patent Acts in the 1700s and 1800s “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 . . . ,” those provisions “seem to be directed more at patents that were either too broad . . . or inadequately enabled . . . rather than as a defense for general fraud on the Patent Office.”) (citing 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).

<sup>20</sup> *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 819 (1945).

<sup>21</sup> *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 246 (1944), *overruled on other grounds by* *Standard Oil Co. of Cal. v. United States*, 429 U.S. 17, 18 (1976); *Keystone Driller Co. v.*

Court cases may help highlight the scope of the requisite intent in the early days of the doctrine of inequitable conduct.

In the 1888 case of *United States v. American Bell Telephone Co.*, the Court held that the venerable and even revered Alexander Graham Bell committed “deception and fraud upon the government” when he fraudulently obtained two patents,<sup>22</sup> even though he “knew at the time of filing his application for the patent(s) . . . that he was not the original and first inventor . . . .”<sup>23</sup> Although Bell’s patents were held unenforceable, the Court did not, at that time, recognize the right of a private defendant to assert fraud (or inequitable conduct) as a defense to patent infringement.<sup>24</sup>

In 1928, the Court decided *Corona Cord Tire Co. v. Dovan Chemical Corp.*<sup>25</sup> The Court determined that the patentee submitted false affidavits to the USPTO, wherein he “claim[ed] to have used his new vulcanization process to produce rubber goods prior to a cited reference when, in fact, the inventor had produced only some test sheets.”<sup>26</sup> However, the Court “[did] not think this would invalidate the patent” because production of the rubber goods “was not indispensable to the granting of the patent,”<sup>27</sup> apparently applying what would later be styled as a “but for” test for materiality. Accordingly, the Court concluded that “the affidavits, though perhaps reckless, were not the basis for [the patent] or essentially material to its issue.”<sup>28</sup> Thus, in spite of the affidavits, the patent was still found enforceable.<sup>29</sup>

Five years later, the Court decided *Keystone Driller Co. v. General Excavator Co.*,<sup>30</sup> affirming a finding that five patents<sup>31</sup> were unenforceable based on the “highly reprehensible” conduct of Keystone, the patent

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Gen. Excavator Co., 290 U.S. 240, 245 (1933); *Corona Cord Tire Co. v. Dovan Chem. Corp.*, 276 U.S. 358, 373–74 (1928); *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 355 (1888).

<sup>22</sup> *Am. Bell Tel. Co.*, 128 U.S. at 353; U.S. Patent No. 174,465 (filed Feb. 24, 1875) (“Improvement in Telegraphy”); U.S. Patent No. 186,787 (filed Mar. 7, 1876) (“Improvement in Electric Telegraphy”).

<sup>23</sup> *Am. Bell Tel. Co.*, 128 U.S. at 353–55.

<sup>24</sup> *See id.*

<sup>25</sup> *Corona Cord Tire Co.*, 276 U.S. at 358.

<sup>26</sup> 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, 183 (2009); *Corona Cord Tire Co.*, 276 U.S. at 373–74.

<sup>27</sup> *Corona Cord Tire Co.*, 276 U.S. at 374.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240 (1933). Murphy, *supra* note 3, at 2277 n.23 (noting that *Keystone Driller* is considered by some commentators to be “the first Supreme Court case dealing with inequitable conduct” (citing S. REP. NO. 110-259, at 59 (2008); Katherine Nolan-Stevaux, Note, *Inequitable Conduct Claims in the 21st Century*, 20 BERKELEY TECH. L.J. 147, 149 (2005))).

<sup>31</sup> U.S. Patent No. 1, 317,431 (filed Feb. 11, 1915) (“Ditching or Excavating Machine”); U.S. Patent No. 1,511,114 (filed June 27, 1921) (“Excavating Machine”); U.S. Patent No. 1,543,250 (filed Jan. 3, 1925) (“Excavating Machine”); U.S. Patent No. 1,709,466 (filed Jan. 3, 1927) (“Ditcher-Scoop Assembly”); U.S. Patent No. 1,716,432 (filed May 22, 1926) (“Excavating Scoop”).

holder.<sup>32</sup> Keystone was found to have paid a witness in an earlier suit to suppress evidence showing a prior use of the invention.<sup>33</sup> Keystone then obtained a judgment of validity in the earlier suit and relied upon that judgment to obtain an injunction in the case before the Court.<sup>34</sup> Because of Keystone's underhanded and tawdry conduct, the Supreme Court dismissed Keystone's patent infringement suit against General Excavator, couching the decision in terms of the unclean hands doctrine.<sup>35</sup>

Finally, one year before its decision in *Precision Instrument*, the Court handed down *Hazel-Atlas Glass Co. v. Hartford-Empire Co.* in 1944.<sup>36</sup> In that case, the patent applicant, Hartford, procured a patent<sup>37</sup> from the USPTO and then successfully won an infringement suit in the United States Court of Appeals for the Third Circuit against Hazel-Atlas.<sup>38</sup> Hazel-Atlas appealed the decision to the United States Supreme Court. The Court found that Hartford committed "fraud on the court" (i.e. inequitable conduct),<sup>39</sup> because the patent's issuance and the Third Circuit's verdict were based on a bogus article submitted to the USPTO, which was allegedly written by an expert but in fact was found to have been prepared by a Hartford lawyer.<sup>40</sup> The Court condemned Hartford's "trail of fraud [that] continued without break [from the fraudulent patent procurement] through the District Court and up to the Circuit Court of Appeals," and opined that "[t]o grant full protection to the public against a patent obtained by fraud,

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<sup>32</sup> *Keystone Driller Co.*, 290 U.S. at 244.

<sup>33</sup> *Id.* at 243.

<sup>34</sup> *Id.* at 244; *Keystone Driller Co. v. Gen. Excavator Co.*, 10 U.S.P.Q. (BNA) 180 (N.D. Ohio 1931) (finding some of the patents valid and infringed, and noting that plaintiff's conduct was reprehensible but was not fraud on the court) *rev'd*, *Keystone Driller Co. v. Gen. Excavator Co.*, 62 F.2d 48 (6th Cir. 1932) (reversing the district court's findings of validity and infringement, and remanding with instructions to dismiss the plaintiff's complaint), *aff'd*, *Keystone Driller Co.*, 290 U.S. at 240.

<sup>35</sup> *Keystone Driller Co.*, 290 U.S. at 245 ("[W]henver a party who, as actor, seeks to set the judicial machinery in motion and obtain some remedy, has violated conscience, or good faith, or other equitable principle, in his prior conduct, then the doors of the court will be shut against him . . .") (internal quotations omitted).

<sup>36</sup> *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944).

<sup>37</sup> U.S. Patent No. 1,655,391 (filed May 5, 1919) ("Method of and Apparatus for Feeding Molten Glass").

<sup>38</sup> *See Hartford-Empire Co. v. Hazel-Atlas Glass Co.*, 59 F.2d 399, 413 (3d Cir. 1932) (finding Hartford's patent valid and infringed); *Hartford-Empire Co. v. Hazel-Atlas Glass Co.*, 137 F.2d 764, 770 (3d Cir. 1943) (denying the petitions to vacate the findings of validity and infringement of Hartford's patents based on fraud).

<sup>39</sup> Later, the United States Court of Appeals for the Federal Circuit explained its preference for the term "inequitable conduct" over "fraud on the court," although at times the terms have been used interchangeably. *See J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984) (explaining that inequitable conduct encompasses a broader range of culpable activity than fraud, for instance, because omissions of material facts are actionable under inequitable conduct but not under common law theories of fraud).

<sup>40</sup> *Hazel-Atlas Glass Co.*, 322 U.S. at 245 (noting that "even if we consider nothing but Hartford's sworn admissions, we find a deliberately planned and carefully executed scheme to defraud not only the Patent Office but the Circuit Court of Appeals").

the patent must be vacated.”<sup>41</sup>

That case laid the foundation for *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*, the first case to rule directly on whether a court could dismiss a suit for infringement based on inequitable conduct.<sup>42</sup> There, Automotive asserted three patents for torque wrenches, alleging Precision infringed the patents and the infringing acts also breached several contracts related to the patents.<sup>43</sup> Precision countered that Automotive possessed such unclean hands as to foreclose its right to enforce the patents or the related contracts.<sup>44</sup> In particular, Precision alleged that Automotive accepted the assignment of a patent application as part of a settlement agreement, with the knowledge that the assignor of the patent application was untruthful with the USPTO regarding the priority of the invention.<sup>45</sup> Then, after the assignment—while the patent was in prosecution before the USPTO—Automotive allowed the USPTO to continue to operate under the misconception regarding the application’s priority, and the USPTO ultimately allowed the patents to issue.<sup>46</sup> When the case finally reached the United States Supreme Court, the Court focused solely on the issue of Automotive’s inequitable conduct (because Automotive knew of the perjury and failed to inform the USPTO), noting that “[t]he guiding doctrine in this case is the equitable maxim that ‘he who comes into equity must come with clean hands.’”<sup>47</sup> And when the Supreme Court held that courts could dismiss patent infringement suits based on inequitable conduct committed during the patent’s prosecution,<sup>48</sup> the affirmative defense of inequitable conduct was officially born.

*Precision Instrument* marks the last time the Supreme Court weighed in directly on the doctrine of inequitable conduct, resulting in a still

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<sup>41</sup> *Id.* at 250–51; *see also id.* at 251–52 (Roberts, J., dissenting) (“No fraud is more odious than an attempt to subvert the administration of justice. The court is unanimous in condemning the transaction disclosed by this record.”).

<sup>42</sup> *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806 (1945); *see also* O’Connor, *supra* note 4, at 333 n.18 (noting that “[t]he issue [of inequitable conduct as an affirmative defense] had likely been building since the late 1800s cases . . . and was in fact raised in two cases before *Precision Instrument*] . . . [b]ut for procedural posture and other reasons, the Supreme Court did not rule directly in those cases . . .” on the subject (quoting *Hazel-Atlas Glass Co.*, 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 Co. v. Gen. Excavator Co.*, 290 U.S. 240, 246 (1933) (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 . . .”).

<sup>43</sup> *Precision Instrument Mfg. Co.*, 324 U.S. at 807; U.S. Patent No. 2,279,792 (filed Oct. 1, 1938) (“Torque Wrench”); U.S. Patent No. 2,283,888 (filed Nov. 22, 1937) (“Torque Measuring Wrench”); U.S. Patent No. 2,219 (filed May 31, 1938) (“Torque Measuring Wrench”).

<sup>44</sup> *Precision Instrument Mfg. Co.*, 324 U.S. at 818–19.

<sup>45</sup> *Id.* at 818–19.

<sup>46</sup> *Id.* at 814.

<sup>47</sup> *Id.*

<sup>48</sup> *See id.*

running sixty-five-year silence from the Supreme Court.<sup>49</sup> In the cases from the Supreme Court leading up to and including *Precision Instrument*, the intent of the parties accused of inequitable conduct (or fraud on the government, or fraud on the court, etc.) proved to be a relatively clean-cut inquiry. For instance, in *United States v. American Bell Telephone Co.*, the government alleged that Bell had actual knowledge that he was not the rightful inventor of the telephone and intentionally proceeded to procure the patent anyway.<sup>50</sup> Because the action in *American Bell Telephone* stemmed from “common law notions of fraud . . . the Government had to show the requisite *scienter* on the part of the patentee.”<sup>51</sup> In *Corona Cord Tire Co. v. Dovan Chemical Corp.*, the patent applicant knowingly submitted false affidavits regarding laboratory experiments conducted to create rubber products, a fact that was not contested by the applicant at trial.<sup>52</sup> In *Keystone Driller Co. v. General Excavator Co.*, the Court found that the patentee knew that certain evidence was material and intentionally had the evidence suppressed when it paid a witness to conceal it.<sup>53</sup> Subjective, subtle notions of intent are not at play in those cases; rather, overt, actual knowledge on the part of the wrongdoer is alleged and found in each instance.

Even more overt, in *Hazel-Atlas*, the patentee was found to have concocted an elaborate scheme to defraud the USPTO, whereby the patentee’s attorney knowingly and reprehensibly wrote an article (pretending to be an unbiased expert) that was used to overcome the USPTO’s rejection.<sup>54</sup> In *Precision Instrument*, the patent holder accepted the assignment of an application, knowing that the application claimed incorrect priority; in fact, the assignee and assignor discussed the incorrect priority in their negotiations, using it as a bargaining chip that was recorded in the terms of the settlement.<sup>55</sup> In each of those cases, the intent of the

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<sup>49</sup> Sobel, *supra* note 26, at 183. The Supreme Court, as recently as mid-2009, has continued to deny certiorari when faced with cases involving inequitable conduct. Rachel K. Zimmerman, *Inequitable Conduct Still a Thorny Issue*, LAW360.COM, June 25, 2009, [http://ip.law360.com/print\\_article/103825](http://ip.law360.com/print_article/103825) (“Last month’s denial by the U.S. Supreme Court of a petition for certiorari filed by Aventis Pharma SA signals continued uncertainty regarding the state of the law of inequitable conduct.”); *see also* *Aventis Pharma S.A. v. Amphastar Pharms, Inc.*, 525 F.3d 1334 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2053 (2009).

<sup>50</sup> *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 356 (1888) (“The guilty knowledge is well and fully stated, the prior inventions and discoveries and their authors are alleged to have been known to Bell, and are mentioned with sufficient precision, and his connection with some of them . . . is set forth with minute particularity.”).

<sup>51</sup> O’Connor, *supra* note 4, at 332 n.14 (emphasis in original) (citing *Am. Bell Tel. Co.*, 128 U.S. at 353–55).

<sup>52</sup> *Corona Cord Tire Co. v. Dovan Chem. Corp.*, 276 U.S. 358, 373–74 (1928).

<sup>53</sup> *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 246–47 (1933).

<sup>54</sup> *See generally* *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944).

<sup>55</sup> *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 809 (1945) (noting that the preliminary amendment filed by the patent holder “gave false dates as to the conception, disclosure, drawing, description, and reduction to practice of his claimed invention.”); *see also id.* at 813–14 (discussing the ensuing negotiations and contracts formed between the parties).

patentee was rather clear and uncontested, a far cry from the much closer cases of intent that have become routine in modern inequitable conduct litigation.<sup>56</sup>

*Precision Instrument*, as arguably the only case where the Supreme Court expressly applied the doctrine of inequitable conduct, remains the definitive pronouncement of the law of inequitable conduct.<sup>57</sup> In *Precision Instrument*, though, the Court did not set a framework for the lower courts to determine what level of intent was sufficient to warrant a finding of inequitable conduct;<sup>58</sup> accordingly, “[t]here is no basis in Supreme Court precedent” for the latitude taken by the lower federal courts when determining intent.<sup>59</sup> Keeping this in mind, let us turn to the ensuing chaos, both for patentees and alleged infringers, as the lower courts tried to apply the framework of *Precision Instrument* in the variety of factual situations arising over the next sixty-five years.

#### B. 1945–1970: The Circuit Courts Explore Inequitable Conduct After Precision Instrument

A few years following *Precision Instrument*, the USPTO promulgated its Rules of Practice in Patent Cases, including the first recitation of Rule 56, codified at 37 C.F.R. § 1.56.<sup>60</sup> This iteration of Rule 56 was merely procedural, providing only that the USPTO could strike a defective application but creating no private cause of action during or after prosecution.<sup>61</sup> “Rule 56 did not, and could not, modify the Supreme Court ruling in *Precision Instrument*[].”<sup>62</sup> But in the first twenty-five years following *Precision Instrument*, only a handful of cases were heard by the United States Courts of Appeals involving inequitable conduct in the patent law arena.

In most of those cases, the courts applied the doctrine of unclean hands, similar to *Precision Instrument*, and noted that “[t]raditionally the

<sup>56</sup> See discussion *infra* Part II.B–D & Part II.

<sup>57</sup> *Precision Instrument Mfg. Co.*, 324 U.S. at 806.

<sup>58</sup> Sobel, *supra* note 26, at 183 (“The Supreme Court has applied the inequitable conduct doctrine only once—in *Precision*—when the patentee knew about the fraudulent conduct and suppressed it ‘in disregard of the public interest.’”); Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L. & TECH. 37, 52 (1993) (“Although the Supreme Court had established an ‘uncompromising duty’ for patent applicants to report ‘possible fraud or inequitableness’ to the Patent Office, and to disclose ‘all facts relevant to such matters,’ the Court offered little guidance as to what the duty encompassed.”) (internal citations omitted).

<sup>59</sup> Sobel, *supra* note 25, at 183; see also discussion *infra* Parts II.B–D & Part III.

<sup>60</sup> O’Connor, *supra* note 4, at 330; see also Patents, Trademarks, and Copyrights, 13 Fed. Reg. at 9579 (1948) (“§ 1.56 *Improper Applications*. Any application signed or sworn to in blank, 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.”).

<sup>61</sup> O’Connor, *supra* note 4, at 338–39.

<sup>62</sup> *Id.* at 339 (explaining that Rule 56 “seemed to simply follow and codify developments in the judicial doctrine”). Rule 56 was updated in 1977. See discussion *infra* Part II.C.

doctrine of unclean hands has required a finding of wrongful intent or wilful [sic] misconduct and mere negligent conduct has not sufficed.”<sup>63</sup> In one case, the Court of Appeals declined to follow Supreme Court precedent, finding instead that *Precision Instrument* and *Hazel-Atlas* were not controlling, as they involved conclusively proven instances of deliberate fraud and perjury.<sup>64</sup> When the Courts of Appeals found inequitable conduct during that time period (which occurred rarely), regardless of whether or not the courts relied directly on *Precision Instrument*, the cases involved outright theft of the invention in the asserted patent<sup>65</sup> or perjury.<sup>66</sup> In all other factual situations, the courts did not find that the evidence merited a finding of inequitable conduct.<sup>67</sup> It can be seen that during this time, though relatively few cases were decided involving inequitable conduct, the courts were hesitant to find a patent unenforceable unless particularly egregious conduct was conclusively established. That reluctance, however, proved short-lived.

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<sup>63</sup> *A. H. Emery Co. v. Marcan Prod. Corp.*, 389 F.2d 11, 17 n.4 (2d Cir. 1968).

<sup>64</sup> *Haloro, Inc. v. Owens-Corning Fibreglas Corp.*, 266 F.2d 918, 919 (D.C. Cir. 1959).

<sup>65</sup> *Seismograph Serv. Corp. v. Offshore Raydist, Inc.*, 135 F. Supp. 342, 354–56 (D. La. 1955) *aff'd*, 263 F.2d 5, 22 (5th Cir. 1959) (refusing to overturn a district court’s finding of inequitable conduct when the plaintiff acquired the asserted patent rights by stealing the invention from another and patenting it, because “[d]eterminations as to what constitutes . . . inequitable conduct are to be made in the sound judgment and conscience of the court . . .”).

<sup>66</sup> *Vincent v. Suni-Citrus Prods. Co.*, 215 F.2d 305, 307 n.3 (5th Cir. 1954) (affirming the district court’s finding of inequitable conduct based on Vincent’s perjury before the Patent Office and the district court and “his adoption of inconsistent and conflicting positions in order to secure and sustain the monopoly of his patents . . .”); *Mas v. Coca-Cola Co.*, 163 F.2d 505, 506–07 (4th Cir. 1947) (affirming a decision from the Board of Appeals in the Patent Office dismissing the plaintiff’s case for inequitable conduct because the plaintiff “forged documents and perjured testimony in his attempts to establish priority of invention in the Patent Office.”).

<sup>67</sup> *A. H. Emery Co.*, 389 F.2d at 17 (affirming the district court’s decision that a patent applicant’s false oath—“I do not know and do not believe that this invention was ever . . . in public use or on sale in the United States for more than one year prior to this application . . .”—did not amount to inequitable conduct sufficient to disentitle the applicant to relieve granted in connection with an unrelated trade secret claim); *Nasco Inc. v. Vision-Wrap, Inc.*, 352 F.2d 905, 909 (7th Cir. 1965) (reversing the district court’s finding of invalidity, because there was no evidence of fraud or inequitable conduct even though the applicant “to inform the Patent Office that bags employing a deformable member on one side only could operate in substantially the same way as bags employing two deformable members . . .”); *Aerosol Research Co. v. Scovill Mfg. Co.*, 334 F.2d 751, 756 (7th Cir. 1964) (finding that a misrepresentation regarding the prior art was merely a “mistake in analysis” and that the mistake was “not of a material nature,” and thus “[i]t constituted neither fraud nor inequitable conduct”); *P & D Sales & Mfg. Co. v. Winter*, 334 F.2d 830, 835–36 (7th Cir. 1964) (reversing the district court’s finding of inequitable conduct as clearly erroneous, where the district court based its finding on the patent applicant’s failure to disclose a reference to the USPTO that the Court of Appeals noted “covered a completely different device”); *Pursche v. Atlas Scraper & Eng’g Co.*, 300 F.2d 467, 487 (9th Cir. 1961) (upholding the trial court’s finding of no inequitable conduct when Pursche visited an Atlas factory, spotted a plow with a “butterfly type tail wheel” and shortly thereafter filed an application directed toward the plow, because “[t]hese facts fall far short of proving either that Pursche was attempting to pirate another’s invention or that he deliberately misrepresented himself to be the inventor” to the USPTO); *Haloro, Inc.*, 266 F.2d at 919 (reversing the district court finding of inequitable conduct because the evidence—“representations and testimony as to the universal adoption and use of the [patented item] in the roofing industry and its commercial success”—did not rise to the level of clear and convincing evidence).

*C. Intent in the 1970s and the 1980s: The Rise of the Gross Negligence Standard*

Promptly at the turn of the decade, the United States Court of Customs and Patent Appeals decided *Norton v. Curtiss*,<sup>68</sup> a watershed case expanding the doctrine of inequitable conduct. The court was reviewing the USPTO's decision under Rule 56 regarding whether it was appropriate to strike an application in an interference proceeding for inequitable conduct.<sup>69</sup>

The court upheld the USPTO's decision not to strike the patent application, but noted that the USPTO had applied the wrong standard, improperly "narrow[ing] the requirement almost to that of proving actual intent."<sup>70</sup> Instead, the court explained that "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."<sup>71</sup> Thus, "it may suffice to show nothing more than that the misrepresentations were made in an atmosphere of gross negligence as to their truth."<sup>72</sup>

The seminal *Norton* decision provided the framework that was incorporated in the 1977 amendment to Rule 56.<sup>73</sup> "The most notable feature of the 1977 Rule was that Rule 56 was changed from a straightforward provision enabling the USPTO to strike applications for fraud to one that formally established a duty of candor and good faith by patent applicants and their attorneys."<sup>74</sup> Minor amendments were made to the rule in the 1980s,<sup>75</sup> and in 1992, the Rule was revamped.<sup>76</sup>

Thus, "[i]n the 70s and 80s, the standard for inequitable conduct was gross negligence."<sup>77</sup> Throughout that era, the courts consistently applied standards of gross negligence, lowering the requisite intent needed

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<sup>68</sup> *Norton v. Curtiss*, 433 F.2d 779 (C.C.P.A. 1970).

<sup>69</sup> Sobel, *supra* note 26, at 172 (citing *Norton*, 433 F.2d at 789).

<sup>70</sup> *Norton*, 433 F.2d at 796.

<sup>71</sup> *Id.* at 795–96 (emphasis added).

<sup>72</sup> *Id.*

<sup>73</sup> Patent Examining and Appeal Procedures, 42 Fed. Reg. 5,588, 5,593–94 (Jan. 28, 1977) (to be codified at 37 C.F.R. pt. 1).

<sup>74</sup> O'Connor, *supra* note 4, at 345 (internal citations omitted).

<sup>75</sup> *Id.* (citing Reissue, Reexamination, Protest and Examination Procedures in Patent Rules, 47 Fed. Reg. 21,746, 21,747–48, 21,751–52 (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) (to be codified at 37 C.F.R. pt. 1); Revision of Patent Practice, 49 Fed. Reg. 548, 549, 554 (Jan. 4, 1984) (to be codified at 37 C.F.R. pt. 1); 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)).

<sup>76</sup> See discussion *infra* Part II.D.

<sup>77</sup> Thomas L. Irving & Adriana L. Burgy, *The Inequitable Conduct "Plague" in U.S. Patent Litigation*, IP L. & TECH. PROGRAMME 1 (2006) (citing *Norton*, 433 F.2d 779; *In re Jerabek*, 789 F.2d 886 (Fed. Cir. 1986)).

to sustain a finding of inequitable conduct.<sup>78</sup> This method of analyzing inequitable conduct reigned supreme until 1988.<sup>79</sup>

*D. The 1988 Kingsdown Decision and the Supposed Death of the Gross Negligence Standard*

Those cases finally culminated in *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, an en banc decision by the United States Court of Appeals for the Federal Circuit holding that intent can only be found when sufficient culpability is shown to require a finding of intent to deceive and renouncing the gross negligence standard of previous cases.<sup>80</sup> In *Kingsdown*, the district court held that the patent at issue was unenforceable because Kingsdown's attorney, when renumbering and transferring allowed claims into a continuation, incorrectly copied a rejected claim instead of an allowed claim.<sup>81</sup> That mistake introduced a new claim into the application.<sup>82</sup>

The USPTO allowed the claim, and the district court found inequitable conduct because Kingsdown was grossly negligent in not noticing the error, or in the alternative, because Kingsdown's acts indicated an intent to deceive the USPTO.<sup>83</sup> The Federal Circuit reversed the district court decision, noting that the conduct in question "must be sufficient to require a finding of deceitful intent in the light of all the circumstances."<sup>84</sup> The en banc court expressly rejected the gross negligence standard of the previous two decades:

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.<sup>85</sup>

In keeping with that trend, the USPTO promulgated an updated version of Rule 56 in 1992 (replacing the 1977 version of the rule), codifying portions

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<sup>78</sup> See, e.g., *Jaskiewicz v. Mossinghoff*, 822 F.2d 1053, 1058 (Fed. Cir. 1987) ("Mere negligence is not sufficient to infer fraud or dishonesty though gross negligence may lead (in proper circumstances) to a finding of inequitable conduct." (citing *N.V. Akzo v. DuPont de Nemours & Co.*, 810 F.2d 1148 (Fed. Cir. 1987))); *In re Jerabek*, 789 F.2d at 891; *J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1560 (Fed. Cir. 1984) ("Proof of deliberate scheming is not needed; gross negligence is sufficient."); *Driscoll v. Cebalo*, 731 F.2d 878 (Fed. Cir. 1984); *Digital Equip. Corp. v. Diamond*, 653 F.2d 701 (1st Cir. 1981); *True Temper Corp. v. CF&I Steel Corp.*, 601 F.2d 495 (10th Cir. 1979). But see *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 n.9 (Fed. Cir. 1987) (indicating that gross negligence alone does not mandate a finding of intent to deceive).

<sup>79</sup> See discussion *infra* Part II.D.

<sup>80</sup> *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 876, 876 (Fed. Cir. 1988) (en banc).

<sup>81</sup> *Id.* at 875-76.

<sup>82</sup> *Id.* at 876.

<sup>83</sup> *Id.* at 872.

<sup>84</sup> *Id.* at 873.

<sup>85</sup> *Id.* at 876.

of the case law and supposedly clarifying the duty of candor before the USPTO.<sup>86</sup> Many predicted that the new Rule 56, coupled with the decision in *Kingsdown*, would quiet the plague of inequitable conduct allegations.<sup>87</sup> It didn't quite work out that way.

*E. After Kingsdown: What's the Standard? It Depends.*

Before the inception of the Federal Circuit in 1982, a three-way circuit split had developed “on the showing of ‘intent’ necessary to trigger an inequitable conduct holding”: some required scienter,<sup>88</sup> some allowed gross negligence,<sup>89</sup> and some weighed intent and materiality together to determine if inequitable conduct existed.<sup>90</sup> Although the Federal Circuit was created with the hopes of resolving such circuit splits, echoes of those three standards still sound through the case law today.<sup>91</sup> Do any of those standards apply after *Kingsdown*? Unfortunately, the Federal Circuit—surprisingly, in the face of the en banc *Kingsdown* decision—provides inconsistent answers to that question, perhaps driven by the specific facts in each decision rendered.

1. Is *Kingsdown* Still King?

*Kingsdown*, although rendered more than twenty years ago, remains the most recent en banc decision from the Federal Circuit on the intent prong of the inequitable conduct analysis.<sup>92</sup> The Federal Circuit, at its inception, adopted a rule that “no prior holding of the Court . . . can be overruled except by an [e]n banc decision of the Court.”<sup>93</sup> Accordingly, until the Federal Circuit decides a new case en banc to overrule *Kingsdown*, it will (in theory at least) remain the principal case governing intent in inequitable conduct cases. That begs the question, however, of whether cases failing to apply the *Kingsdown* standard are valid, even though they are treated as valid by the courts and patents are declared permanently

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<sup>86</sup> See O'Connor, *supra* note 4, at 346–49; Harry F. Manbeck, *The Evolution and Future of New Rule 56 and the Duty of Candor: The Evolution and Issue of New Rule 56*, 20 AIPLA Q.J. 136, 140 (1992); R. Carl Moy, *The Effect of New Rule 56 on the Law of Inequitable Conduct*, 74 J. PAT. & TRADEMARK OFF. SOC'Y 257, 276 (1992).

<sup>87</sup> Kate McElhone, *Inequitable Conduct: Shifting Standards for Patent Applicants, Prosecutors, and Litigators*, 17 TEX. INTELL. PROP. L.J. 385, 393 (2009); O'Connor, *supra* note 4, at 330.

<sup>88</sup> Sobel, *supra* note 26, at 177 (citing *Scott Paper Co. v. Fort Howard Paper Co.*, 432 F.2d 1198, 1204 (7th Cir. 1970) (“Unclean hands can be asserted only if there has been a deliberate misrepresentation in the Patent Office.”)).

<sup>89</sup> Sobel, *supra* note 26, at 177–78 (citing *DeLong Corp. v. Raymond Int'l, Inc.*, 622 F.2d 1135, 1146 (3d Cir. 1980) (“stating that inequitable conduct requires at least a finding of ‘gross negligence’”)).

<sup>90</sup> Sobel, *supra* note 26, at 178 (citing *Digital Equip. Corp. v. Diamond*, 653 F.2d 701, 716 (1st Cir. 1981)).

<sup>91</sup> See discussion *infra* Part III.E.1–3.

<sup>92</sup> See generally *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (en banc).

<sup>93</sup> Pasquale A. Razzano, *Conflicts in Federal Circuit Panel Decisions* (Dec. 7, 2001) (unpublished manuscript, [http://www.fitzpatrickcella.com/images/pub\\_attachment/attachment142.pdf](http://www.fitzpatrickcella.com/images/pub_attachment/attachment142.pdf)).

unenforceable under non-*Kingsdown* standards.

On April 26, 2010, the Federal Circuit, breaking the long silence on a full consideration of inequitable conduct, issued an en banc order, granting a petition for a rehearing en banc to discuss important issues of inequitable conduct in the case of *Therasense, Inc., v. Becton, Dickinson, & Co.*, vacating an earlier panel decision.<sup>94</sup> In the en banc order, the Federal Circuit has asked the parties to brief the following six questions:

- (1) Should the materiality-intent-balancing framework for inequitable conduct be modified or replaced?
- (2) If so, how? In particular, should the standard be tied directly to fraud or unclean hands? See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806 (1945); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944), *overruled on other grounds by Standard Oil Co. v. United States*, 429 U.S. 17 (1976); *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240 (1933). If so, what is the appropriate standard for fraud or unclean hands?
- (3) What is the proper standard for materiality? What role should the United States Patent and Trademark Office's rules play in defining materiality? Should a finding of materiality require that but for the alleged misconduct, one or more claims would not have issued?
- (4) Under what circumstances is it proper to infer intent from materiality? See *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (en banc).
- (5) Should the balancing inquiry (balancing materiality and intent) be abandoned?
- (6) Whether the standards for materiality and intent in other federal agency contexts or at common law shed light on the appropriate standards to be applied in the patent context.<sup>95</sup>

Once issued, that decision will eclipse the *Kingsdown* decision as the most recent en banc decision from the Federal Circuit on inequitable conduct.

## 2. Does Negligence Suffice?

“Notwithstanding the *Kingsdown* decision, the Federal Circuit has

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<sup>94</sup> *Therasense, Inc. v. Beckton, Dickinson & Co.*, Nos. 2008-1511, 2008-1512, 2008-1513, 2008-1514, 2008-1595, 2010 WL 1655391 (Fed. Cir. Apr. 26, 2010), *vacating* 539 F.3d 1289 (Fed. Cir. 2010).

<sup>95</sup> *Id.* at \*1.

accepted negligence as an adequate basis for intent to deceive.”<sup>96</sup> In fact, simple negligence, not even gross negligence, appears sufficient to sustain a finding of inequitable conduct in some cases.<sup>97</sup>

In *Critikon, Inc. v. Beckton Dickenson Vascular Access, Inc.*, the court found that intent could be inferred if the litigant simply had no credible “good faith explanation” for misrepresenting or omitting a material reference.<sup>98</sup> There, the court found, *inter alia*, that Critikon withheld a prior art reference containing a novel feature in the Critikon patent application—a feature that the Examiner suggested adding during prosecution to overcome the rejections.<sup>99</sup> In upholding a finding of wrongful intent, the court stated that “intent may be inferred where a patent applicant knew, or should have known, that withheld information would be material to the [US]PTO’s consideration of the patent application.”<sup>100</sup> The court inferred a “relatively high degree of intent”<sup>101</sup> because Critikon “should have known [the reference] was material.”<sup>102</sup> But is “should have known” not the classic standard for simple negligence? And wasn’t that standard denounced in *Kingsdown*?<sup>103</sup>

Then in 2003, the Federal Circuit issued a trilogy of decisions also finding culpable intent when the patentee merely “should have known” that the undisclosed information was material.<sup>104</sup> The court continued the trend in the 2006 decision, *Ferring B.V. v. Barr Laboratories, Inc.*, highlighting the Federal Circuit’s tolerance of the negligence standard, even after *Kingsdown*.<sup>105</sup> In *Ferring*, the court found intent when granting summary judgment on inequitable conduct based on the failure to disclose the declarants’ prior relationships with the assignee of a patent application.<sup>106</sup> On intent to deceive, the majority stated:

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<sup>96</sup> Sobel, *supra* note 26, at 169 (citing *Aventis Pharma S.A. v. Amphastar Pharms., Inc.*, 525 F.3d 1334, 1336, 1339 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2053 (2009)).

<sup>97</sup> *Larson Mfg. Co. of S.D. v. Aluminart Prods. Ltd.*, 559 F.3d 1317, 1342–44 (Fed. Cir. 2009) (Linn, J., concurring) (“[I]n seeming contradiction with *Kingsdown*, a standard even lower than ‘gross negligence’ has propagated through our case law.”); *Aventis Pharma S.A.*, 525 F.3d at 1350 (Rader, J., dissenting) (noting that recent cases have “too often emphasized materiality almost to the exclusion of any analysis of the lofty intent requirement”).

<sup>98</sup> *Critikon, Inc. v. Beckton Dickenson Vascular Access, Inc.*, 120 F.3d 1253, 1257 (Fed. Cir. 1997).

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> *Id.*

<sup>102</sup> *Id.* at 1259.

<sup>103</sup> *See generally Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867 (Fed. Cir. 1988) (en banc).

<sup>104</sup> *See, e.g., Hoffman-LaRoche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1367 (Fed. Cir. 2003); *Bristol-Myers Squibb Co. v. Rhône-Poulenc Rorer, Inc.*, 326 F.3d 1226, 1229 (Fed. Cir. 2003) (“[W]here withheld information is material and the patentee knew or should have know[n] of that materiality, he or she can expect to have great difficulty in establishing subjective good faith sufficient to overcome an inference of intent to mislead.”) (emphasis added); *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1367 (Fed. Cir. 2003).

<sup>105</sup> *Ferring B.V. v. Barr Labs., Inc.*, 437 F.3d 1181, 1190–94 (Fed. Cir. 2006).

<sup>106</sup> *See id.*

[S]ummary judgment is appropriate on the issue of intent if there has been a failure to supply highly material information and if the summary judgment record establishes that (1) the applicant knew of the information; (2) the applicant knew or should have known of the materiality of the information; and (3) the applicant has not provided a credible explanation for the withholding.<sup>107</sup> In finding that the inventor intended to mislead the Patent Office under this standard, the Federal Circuit stated that: (1) Barr had “established that [the inventor] knew of significant past relationships of at least two declarants,” and (2) the inventor was “on notice [from the Examiner’s reference to ‘non-inventor’ declarations] that disinterested affidavits were necessary, and knew or should have known that the [patentee] affiliations were material.”<sup>108</sup>

While the Danish inventor was aware of the past relationships, there was no showing that the inventor either knew they were important or knew of an obligation to disclose them.<sup>109</sup> Despite the governing rule requiring inferences to be drawn in favor of the non-movant,<sup>110</sup> the Federal Circuit upheld summary judgment on inequitable conduct.<sup>111</sup> Judge Newman dissented, sharply criticizing the majority for disregarding *Kingsdown*.<sup>112</sup>

“Thus, an act can be sufficient to constitute inequitable conduct if the applicant ‘should have known’ of the materiality” of the omitted information.<sup>113</sup> A few cases inferred that intent was present basically by inference if the misrepresented or omitted reference was highly material.<sup>114</sup> But even in those cases, some would argue that evidence of intent was not wholly absent. In *Paragon Podiatry Laboratory, Inc. v. KLM Laboratories, Inc.*, the court noted that it was not the materiality of the omissions alone that permitted an inference of intent but the extended course of misleading conduct involved in the case, including affirmative acts of submitting

<sup>107</sup> *Id.* at 1191.

<sup>108</sup> Sobel, *supra* note 26, at 180; *Ferring B.V.*, 437 F.3d at 1191–92.

<sup>109</sup> Sobel, *supra* note 26, at 174–75; *Ferring B.V.*, 437 F.3d at 1191–92.

<sup>110</sup> *Ferring B.V.*, 437 F.3d at 1204 (Newman, J., dissenting) (internal citations omitted).

<sup>111</sup> *Id.* at 1193–94.

<sup>112</sup> Sobel, *supra* note 26, at 180 n.108 (citing *Ferring B.V.*, 437 F.3d at 1201 (Newman, J., dissenting) (“The majority’s ruling is directly contrary to *Kingsdown*[], which held that even gross negligence may not establish deceptive intent . . . .”)).

<sup>113</sup> Sobel, *supra* note 26, at 169–70 (citing *Monsanto Co. v. Bayer Bioscience N.V.*, 514 F.3d 1229, 1241 (Fed. Cir. 2008) (internal citations and quotations omitted)).

<sup>114</sup> See *Aventis Pharma S.A. v. Amphastar Pharms, Inc.*, 525 F.3d 1334, 1349 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2053 (2009); *Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306, 1313–14 (Fed. Cir. 2008); *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1345 (Fed. Cir. 2007). *But see* *Larson Mfg. Co. of S.D. v. Aluminart Prods. Ltd.*, 559 F.3d 1317, 1340, 1343–44 (Fed. Cir. 2009) (Linn, J., concurring) (heavily criticizing *Praxair*). This is the “sliding scale” view of the two prongs originally adopted by the U.S. Court of Appeals for the First Circuit.

misleading affidavits.<sup>115</sup> Similarly, in *Ferring*, the patentee affirmatively submitted what were found to be misleading affidavits for the purpose of convincing the USPTO to withdraw a patent rejection, and further, the patentee was found to have made “multiple omissions over a long period of time . . . .”<sup>116</sup> And in *Praxair, Inc. v. ATMI, Inc.*, the court determined that prior art, of which both the inventor and the patent attorney were admittedly aware, directly conflicted with representations made in the patent application.<sup>117</sup> Under some interpretations, those cases are not strictly departing from *Kingsdown*, which allows consideration of the totality of the circumstances when finding intent (which may include the types of facts). But, others would find that those cases departed totally from the spirit and holding of *Kingsdown*.

### 3. Is Intent Panel-Dependent?

In fact, there is a good case (and a scary one, at that) to be made that the current law of inequitable conduct—absent perjury or common-law fraud—is panel-dependent, with certain Judges tenaciously applying *Kingsdown* when determining whether inequitable conduct exists.<sup>118</sup> When such judges are not in the majority, the standard may be determined and applied in a totally discretionary manner.

For instance, in *Abbott Labs. v. Sandoz*, the panel consisted of Judges Newman, Archer, and Gajarsa (with Judge Gajarsa dissenting).<sup>119</sup> In that case, the court found no inequitable conduct when Abbott allegedly submitted a false declaration to the USPTO containing statistically significant differences in the test results and failed to disclose post-filing results that were inconsistent with information contained in the originally filed application.<sup>120</sup> Applying the *Kingsdown* standard for intent, the district court refused to infer intent from materiality, and the Federal Circuit affirmed.<sup>121</sup>

In *Eisai Co. v. Dr. Reddy’s Laboratories, Ltd.*, the panel consisted of Judges Rader, Linn, and Prost.<sup>122</sup> The court did not find inequitable conduct and noted that, “[t]o satisfy the ‘intent’ prong for unenforceability, ‘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.’ Gross negligence is not sufficient.

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<sup>115</sup> *Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1191 (Fed. Cir. 1993).

<sup>116</sup> *Ferring B.V.*, 437 F.3d at 1193–94.

<sup>117</sup> *Praxair, Inc.*, 543 F.3d at 1315–16.

<sup>118</sup> *E.g.*, *Abbott Labs. v. Sandoz*, 544 F.3d 1341 (Fed. Cir. 2008); *Aventis Pharma S.A.*, 525 F.3d at 1334; *Praxair, Inc.*, 543 F.3d 1306.

<sup>119</sup> *Abbott Labs.*, 544 F.3d at 1341.

<sup>120</sup> *Id.* at 1353.

<sup>121</sup> *Id.* at 1341, 1356.

<sup>122</sup> *Eisai Co. v. Dr. Reddy’s Labs., Ltd.*, 533 F.3d 1353 (Fed. Cir. 2008).

This is a high bar.”<sup>123</sup>

In contrast, in *Aventis Pharma S.A. v. Amphastar Pharmaceuticals, Inc.*, the panel consisted of Judges Prost, Moore, and Rader (with Judge Rader dissenting).<sup>124</sup> In that case, the majority of the court found inequitable conduct, applying a “should have known” standard similar to *Critikon*, rather than the *Kingsdown* standard.<sup>125</sup> In *Praxair*, the panel consisted of Judges Lourie, Bryson, and Dyk (with Judge Lourie dissenting on inequitable conduct).<sup>126</sup> In that case, inequitable conduct was found based on the highly material nature of the reference and the applicant’s lack of a good faith explanation for its non-disclosure.<sup>127</sup>

### III. THE PRESENT: THE FEDERAL CIRCUIT REVISITS INTENT

Toward the end of 2009, the United States Court of Appeals for the Federal Circuit decided a string of cases involving inequitable conduct,<sup>128</sup> indicating a possible swing of the pendulum back toward a more strict interpretation of intent. Most notable among those cases is *Exergen Corp. v. Wal-Mart Stores Inc.*, a case that may again change the face of inequitable conduct through its modification of the pleading requirements for parties asserting inequitable conduct in patent cases.<sup>129</sup> While some commentators urge that “*Exergen* does not alter the substantive law of inequitable conduct,” but only “significantly increase[s] the burdens for pleading inequitable conduct,”<sup>130</sup> the ramifications of this case may extend further than just motion practice in patent litigation; yet, it is far too early to tell.<sup>131</sup>

#### A. *Exergen Corp. v. Wal-Mart Stores, Inc.*

Pleading requirements for fraud in civil cases are defined by the Federal Rules of Civil Procedure, which provide that “[i]n alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake. Malice, intent, knowledge, and other conditions of a

<sup>123</sup> *Id.* at 1360 (citing *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (en banc)) (internal citations omitted).

<sup>124</sup> *Aventis Pharma S.A. v. Amphastar Pharms., Inc.*, 525 F.3d 1334 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2053 (2009).

<sup>125</sup> *Id.* at 1343.

<sup>126</sup> *Praxair, Inc. v. ATMI, Inc.*, 543 F.3d 1306 (Fed. Cir. 2008).

<sup>127</sup> *Id.* 1316–17.

<sup>128</sup> *See, e.g.*, *AstraZeneca Pharms. LP v. Teva Pharms. USA, Inc.*, 583 F.3d 766, 770 (Fed. Cir. 2009); *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1329 (Fed. Cir. 2009); *In re Bose Corp.*, 580 F.3d 1240, 1244 (Fed. Cir. 2009); *Wedgetail, Ltd. v. Huddleston Deluxe, Inc.*, 576 F.3d 1302, 1304 (Fed. Cir. 2009); *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1318 (Fed. Cir. 2009).

<sup>129</sup> *Exergen Corp.*, 575 F.3d at 1312.

<sup>130</sup> Robert A. Matthews Jr., *Special Report: Federal Circuit Tightens Requirements for Pleading Allegations of Inequitable Conduct*, Matthews Patent-Law Consulting 1 (2009), available at <http://www.jdsupra.com/post/documentViewer.aspx?fid=14a88d9b-24e5-408c-ae95-3a2ac22ae549> [hereinafter Matthews, *Special Report*].

<sup>131</sup> *See also* discussion *supra* Part IIE.1 (discussing further developments in the Federal Circuit’s interest in shaping the inequitable conduct doctrine in 2010).

person's mind may be alleged generally."<sup>132</sup> In *Exergen*, the Federal Circuit addressed the requirements for pleading inequitable conduct, holding that "[w]hether inequitable conduct has been pleaded with particularity under *Rule 9(b)* is a question governed by Federal Circuit law."<sup>133</sup> The opinion was authored by Judge Linn, who also penned a concurrence in *Larson Manufacturing Co. of South Dakota v. Aluminart Products, Ltd.* in early 2009, calling for an en banc review of the intent standard in inequitable conduct cases.<sup>134</sup> This call was answered when the Federal Circuit granted en banc rehearing in *Therasense*.<sup>135</sup>

*Exergen* requires a pleading alleging inequitable conduct to include the specific "who, what, when, where, and how"<sup>136</sup> of the conduct that allegedly occurred.<sup>137</sup> "Conclusory allegations that an identified prior art reference is material, non-cumulative, and, on information and belief, was withheld with an intent to deceive the [US]PTO, which sometimes passed muster before *Exergen*, will no longer be enough."<sup>138</sup> This heightened standard is taken from securities litigation (the analogy in that context is "money is missing; there must be fraud").<sup>139</sup> In the patent context, we will explore whether the *Exergen* decision heightens the pleading requirements.

### 1. Who, What, When, Where, and How

If "who" is to be strictly applied as a requirement to different sets of facts, then it is no longer sufficient to generally allege that "somebody at XYZ Corp. did it." Under *Exergen*, a litigant must be able to point to specific people.<sup>140</sup> In particular, a litigant must identify at least one person who knew of the material information and deliberately withheld or

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<sup>132</sup> FED. R. CIV. P. 9(b). For civil cases in general, pleading requirements have been heightened recently. See, e.g., *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007); *Ashcroft v. Iqbal*, 129 S. Ct. 1937 (2009).

<sup>133</sup> *Exergen Corp.*, 575 F.3d at 1318 (emphasis in original); see also 6 ANNOTATED PATENT DIGEST § 39:13 (West 2010); *Cent. Admixture Pharm. Servs., Inc., v. Advanced Cardiac Solutions, P.C.*, 482 F.3d 1347, 1356–57 (Fed. Cir. 2007); *Ferguson Beauregard/Logic Controls v. Mega Sys., LLC*, 350 F.3d 1327, 1344 (Fed. Cir. 2003).

<sup>134</sup> *Larson Mfg. Co. of S.D. v. Aluminart Prods., Ltd.*, 559 F.3d 1317, 1342–44 (Fed. Cir. 2009); see also discussion *supra* Part II.E.3.

<sup>135</sup> *Therasense, Inc. v. Beckton, Dickinson & Co.*, Nos. 2008-1511, 2008-1512, 2008-1513, 2008-1514, 2008-1595, 2010 WL 1655391 (Fed. Cir. Apr. 26, 2010) (granting a motion for rehearing en banc on the issue of inequitable conduct), *vacating* 539 F.3d 1289 (Fed. Cir. 2010).

<sup>136</sup> The opinion says "when" in one portion, but later uses "why." Compare *Exergen Corp.*, 575 F.3d at 1328 *with id.* at 1329. Although district courts before *Exergen* often applied a similar standard, "the Federal Circuit's view of this standard demands a greater level of factual details in the pleading than the district courts have previously required." Matthews, *Special Report*, *supra* note 130, at 1.

<sup>137</sup> *Exergen Corp.*, 575 F.3d at 1327.

<sup>138</sup> Matthews, *Special Report*, *supra* note 126, at 6 & n.18 (citing *Wilco AG v. Packaging Techs. & Inspection LLC*, 615 F. Supp. 2d 320, 326–27 (D. Del. 2009); *UTStarcom, Inc. v. Starent Networks, Corp.*, No. 07-CV-2582, 2008 WL 5142194, at \*1 (N.D. Ill. Dec. 5, 2008); *Vita-Mix Corp. v. Basic Holdings, Inc.*, No. 1:06-CV-2622, 2007 WL 2816209, at \*5 (N.D. Ohio Sept. 27, 2007)).

<sup>139</sup> *DiLeo v. Ernst & Young*, 901 F.2d 624, 627 (7th Cir. 1990).

<sup>140</sup> *Exergen Corp.*, 575 F.3d at 1329.

misrepresented it.<sup>141</sup> The Federal Circuit found that “Exergen, its agents and/or attorneys” was not specific enough.<sup>142</sup> In a recent case interpreting *Exergen* out of the Central District of California, “persons listed as inventors on the ’81 patent (“inventors”), by themselves and/or by and through their attorneys and agents” was not specific enough.<sup>143</sup> Then, in a case from the District of Vermont (through an answer amended after *Exergen*), “the inventors of the patents, Messrs. Christopher Lee and Mark Moss, and possibly other persons substantively involved in the prosecution of the patents” was specific enough for the court.<sup>144</sup> Accordingly, if the “who” requirement in *Exergen* is to be strictly applied, individual names must be contained in the pleadings to survive a 12(b)(6)<sup>145</sup> motion to dismiss.

To meet the “what” and “where” requirements, *Exergen* explains that a litigant must identify which claims, and which limitations in those claims, the withheld references are relevant to and where in those references the material information is found.<sup>146</sup> This seems to mean that a litigant must literally identify the claim limitation that the withheld reference supplies. Such a standard essentially converts notice pleading to trial brief pleading. For instance, in a recent case from the District Court of D.C., a pleading averred that the inventors of the patent knew of certain standards, alleging “these standards were referenced in a meeting at which at least one inventor was listed as a participant,” and the court found this to be sufficient.<sup>147</sup> Additionally, a Northern District of Indiana court found sufficient pleading of “what” when a litigant alleged that “all five references are relevant to Claim 1, and potentially all limitations, of the ’608 Patent.”<sup>148</sup> In the same case, the litigant asserted that the plaintiff “was possibly aware of the references as early as January, 2006, when Defendants’ expert . . . produced an expert report . . . that specifically discussed each reference,” which the court also found met the *Exergen* standards.<sup>149</sup>

To meet the *Exergen* court’s “why” and “how” requirements, a litigant must identify what is missing; for example, the particular limitations or the combination of claim limitations that are supposedly absent from the information of record. This inquiry is similar to the last element above,

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<sup>141</sup> *Id.*

<sup>142</sup> *Id.*

<sup>143</sup> *I-Flow Corp. v. Wolf Med. Supply, Inc.*, No. 8:09-CV-00762 (C.D. Cal. Sept. 28, 2009) (order granting preliminary injunction and granting motion to strike).

<sup>144</sup> Amended Answer at ¶ 39, *Synventive Molding Solutions, Inc. v. Husky Injection Molding Sys., Inc.*, No. 2:08-CV-136 (D. Vt. Oct. 6, 2009); *see also* *Lincoln Nat’l Life v. Transamerica Fin. Life Ins. Co.*, No. 1:08-CV-135, 2009 WL 4547131, at \*3 (N.D. Ind. Nov. 25, 2009) (providing individual names in the pleadings, satisfying the requirements of *Exergen*).

<sup>145</sup> FED. R. CIV. P. 12(b)(6) (motion to dismiss for failure to state a claim).

<sup>146</sup> *Exergen Corp.*, 575 F.3d at 1330.

<sup>147</sup> *HTC Corp. v. IPCom GmbH & Co.*, No. 08-1897 (RMC), 2009 WL 4363206, at \*4 (D.D.C. Dec. 3, 2009).

<sup>148</sup> *Lincoln Nat’l Life*, 2009 WL 4547131, at \*3.

<sup>149</sup> *Id.*

asking litigants to identify what is missing from the record.

So far, there have been inequitable conduct cases interpreting *Exergen* at the District Court level, some of which were held to have sufficient pleadings,<sup>150</sup> and some of which were held to have insufficient pleadings.<sup>151</sup> The *ION, Inc. v. Sercel, Inc.* case is particularly interesting; *Exergen* was raised in supplemental briefing, but Judge Folsom did not cite it. Also, it is not clear how the pleading in *ION* strictly meets the requirements of *Exergen*.<sup>152</sup>

## 2. Pleading Knowledge & Intent to Deceive in Inequitable Conduct Cases

*Exergen* held that to sustain an inequitable conduct defense, the inference of intent “must be ‘the **single most reasonable** inference able to be drawn from the evidence to meet the clear and convincing standard.’”<sup>153</sup> Further, the accused infringer carries the burden of proving by clear and convincing evidence that the patentee acted with knowledge and intent to deceive; the patentee “need not offer any good faith explanation unless the accused infringer first carried [its] burden to prove a threshold level of intent to deceive by clear and convincing evidence.”<sup>154</sup>

Litigants must allege sufficient facts that “give rise to a reasonable inference of scienter, including both (1) knowledge of the withheld material information or of the falsity of the material misrepresentation, and (2) specific intent to deceive the [US]PTO.”<sup>155</sup> Alleging “knowledge,” as was done in *Exergen*, is not specific enough.<sup>156</sup>

This requirement may possibly conflict with the provision of Federal Rule of Civil Procedure 9(b), providing that “[m]alice, intent, knowledge, and other conditions of a person’s mind may be alleged generally.”<sup>157</sup> The District Court of D.C., seeking to reconcile *Exergen* with

<sup>150</sup> *Konami Digital Entm’t Co. v. Harmonix Music Sys., Inc.*, No. 6:08cv286-JDL, 2009 WL 5061812, at \*1 (E.D. Tex. Dec. 14, 2009); *Synventive Molding Solutions, Inc. v. Husky Injection Molding Sys., Inc.*, No. 2:08-CV-136, 2009 WL 3172740, at \*2 (D. Vt. Oct. 1, 2009); *ION, Inc. v. Sercel, Inc.*, No. 5:06-CV-236 (E.D. Tex. Oct. 1, 2009); *Lincoln Nat’l. Life*, 2009 WL 4547131; *WesternGeco v. Ion Geophysical Corp.*, 2009 WL 3497123 (S.D. Tex. Oct. 28, 2009).

<sup>151</sup> *I-Flow Corp. v. Wolf Med. Supply, Inc.*, No. 8:09-CV-00762 (C.D. Cal. Sept. 28, 2009) (order granting preliminary injunction and granting motion to strike); *Swimways Corp. v. Bravo Sports*, No. 2:08-CV-00481 (E.D. Va. Sept. 8, 2009); *Robert Bosch LLC v. Pylon Mfg. Corp.*, No. 08-542-SLR, 2009 U.S. Dist. LEXIS 97852 (D. Del. Oct. 19, 2009).

<sup>152</sup> *ION, Inc.*, No. 5:06-CV-236.

<sup>153</sup> *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1339 n.5 (Fed. Cir. 2009) (quoting *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008), cert. denied, 129 S. Ct. 1595 (2009)) (emphasis added).

<sup>154</sup> *Star Scientific, Inc.*, 537 F.3d at 1368; see *Larson Mfg. Co. of S.D. v. Aluminart Prods. Ltd.*, 559 F.3d 1317, 1341 (Fed. Cir. 2009) (explaining that a “patentee is not required to offer evidence of good faith unless the accused infringer first meets its burden to prove—by clear and convincing evidence—the threshold level of deceptive intent”).

<sup>155</sup> *Exergen Corp.*, 575 F.3d at 1330.

<sup>156</sup> *Id.*

<sup>157</sup> FED. R. CIV. P. 9(b).

*Ashcroft v. Iqbal*<sup>158</sup> and the language of Rule 9, explained that:

[W]hile Rule 9 allows “malice, intent, knowledge, and other conditions of a person’s mind to be alleged generally,” “‘generally’ is a relative term. In the context of Rule 9, it is to be compared to the particularity requirement applicable to fraud or mistake. Rule 9 merely excuses a party from pleading discriminatory intent under an elevated pleading standard.” *Iqbal*, 129 S. Ct. at 1954. “Pleading on ‘information and belief’ is permitted under Rule 9(b) when essential information lies uniquely within another party’s control, but only if the pleading sets forth the specific facts upon which the belief is reasonably based.” *Exergen*, 575 F.3d at 1330.<sup>159</sup>

Accordingly, it is not enough to allege that the opponent had access to a reference that was allegedly misrepresented or omitted; it appears that a litigant must allege actual facts showing that the party had knowledge and intent.<sup>160</sup> In fact, it remains somewhat unclear how much will be needed. However, in a recent case from the District of Vermont, the defendant alleged that the inventors submitted a one-page drawing of a prior art system that omitted key features, and the court found this pleading to be sufficient.<sup>161</sup> In that case, Judge Sessions said that this pleading supported an inference of intent.<sup>162</sup> It certainly supports the knowledge requirement, because they must have known about the machine to submit the drawing. It is unclear from the opinion how this supports an inference of intent—that is, why is this not just a mistake? Hopefully, the rules will become clearer as the courts continue to analyze cases under the *Exergen* rubric.

### 3. Possible Effects of *Exergen*

Notice pleading for inequitable conduct may no longer exist—at least not as we know it.<sup>163</sup> Litigants may wait to plead inequitable conduct cases until after depositions have been taken, in part to ensure that they are meeting their Rule 11 obligations when pleading facts necessary to satisfy the heightened standards of *Exergen*.<sup>164</sup> Robert A. Matthews, Jr., a patent law treatise author, opines that:

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<sup>158</sup> *Ashcroft v. Iqbal*, 129 S. Ct. 1937 (2009).

<sup>159</sup> *HTC Corp. v. IPCom GmbH & Co.*, No. 08-1897 (RMC), 2009 WL 4363206, at \*2 (D.D.C. Dec. 3, 2009).

<sup>160</sup> *Id.*

<sup>161</sup> *Synventive Molding Solutions, Inc. v. Husky Injection Molding Sys., Inc.*, No. 2:08-CV-136, 2009 WL 3172740, at \*1 (D. Vt. Oct. 6, 2009).

<sup>162</sup> *Id.* at \*3.

<sup>163</sup> *But see* *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354 (Fed. Cir. 2007) (reaffirming relatively vague pleading rules for patent infringement, despite *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007)). Chief Judge Michel, who voted with the majority in *McZeal*, was also on the *Exergen* court.

<sup>164</sup> FED. R. CIV. P. 11.

In the same manner that a patentee can face Rule 11 sanctions for failing to conduct an adequate pre-filing investigation, it seems plausible that an accused infringer might now face Rule 11 sanctions if it fails to conduct a sufficient pre-filing investigation that enables it to i) “identify the particular claim limitations, or combination of claim limitations, that are supposedly absent from the information of record” in the prosecution history; ii) show where and how the withheld prior art contains that missing information; and iii) show how someone owing a duty to candor to the [US]PTO knew that the withheld prior art contained that information.<sup>165</sup>

Additionally, patentees may move to strike inadequate pleadings with greater frequency under *Exergen*.<sup>166</sup> Most notably, *Exergen* might be the long-awaited cure for the patent “plague” that inequitable conduct has become, potentially reducing frivolous charges of inequitable conduct.<sup>167</sup> Only time will tell as the courts continue to sift through the cases in the wake of *Exergen*.

### B. Post-Exergen Cases of Inequitable Conduct at the Federal Circuit

So far, the Federal Circuit has decided a number of patent law cases involving inequitable conduct in the wake of *Exergen*.<sup>168</sup> Early indicators show that *Exergen* may have calmed the waters of *negligence* in inequitable conduct cases—at least for now.<sup>169</sup> But the waters of inequitable conduct, as

<sup>165</sup> Matthews, *Special Report*, *supra* note 130, at 6 (internal citations omitted).

<sup>166</sup> *Id.* (Additionally, “[i]n view of Rule 15’s ‘futility’ prong, accused infringers will face a tougher road in seeking leave to amend to add inequitable conduct allegations.”) (internal citations omitted).

<sup>167</sup> *Id.*

<sup>168</sup> See, e.g., *Leviton Mfg. Co. v. Universal Sec. Instruments, Inc.*, 606 F.3d 1353, 1364 (Fed. Cir. 2010) (holding that “genuine issues of material fact exist that preclude summary judgment on inequitable conduct” and vacating the determination of the district court and remanding for a bench trial); *Therasense, Inc. v. Beckton, Dickinson & Co.*, Nos. 2008-1511, 2008-1512, 2008-1513, 2008-1514, 2008-1595, 2010 WL 1655391 (Fed. Cir. Apr. 26, 2010), *vacating* 539 F.3d 1289 (Fed. Cir. 2010); *AstraZeneca Pharms. LP v. Teva Pharms. USA, Inc.*, 583 F.3d 766 (Fed. Cir. 2009); *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317 (Fed. Cir. 2009); cf. *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009). But see *Leviton Mfg. Co.*, 606 F.3d at 1365-66 (Prost, J., dissenting) (chastising the majority for “overlook[ing] the compelling facts presented in this case and suggest[ing] legal standards contrary to our precedent”).

<sup>169</sup> E.g., *Aspex Eyewear Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1316 (Fed. Cir. 2010) (“Mistake or negligence, even gross negligence, does not support a ruling of inequitable conduct.”) (internal citations omitted); *AstraZeneca Pharms. LP*, 583 F.3d at 770 (“Intent to deceive cannot be inferred from a high degree of materiality alone, but must be separately proved to establish unenforceability due to inequitable conduct.”). This is in accord with previous pronouncements from the Federal Circuit over the years. E.g., *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co.*, 162 F.3d 1113, 1122 (Fed. Cir. 1998) (“Both materiality and culpable intent are essential factual predicates of inequitable conduct, and each must be proved by clear and convincing evidence.”); *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366 (Fed. Cir. 2008) (emphasizing that “materiality does not presume intent, which is a separate and essential component of inequitable conduct”); *Abbott Labs. v. Sandoz, Inc.*, 544 F.3d 1341, 1356 (Fed. Cir. 2008) (“Materiality is not evidence of intent, which must be established as a separate factual element . . .”); *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 560 F.3d 1366, 1380 (Fed. Cir.

a whole, are far from calm. Many of the recent inequitable conduct cases from the Federal Circuit feature sharply worded dissents, highlighting a consistent divide in the approaches advocated by different judges.<sup>170</sup> Hopefully, the recent grant of the en banc petition in *Therasense* will finally allow the court to reach a much needed consensus.<sup>171</sup>

#### IV. CONCLUSION

The intent prong of the inequitable conduct analysis has proven to be an ever-evolving standard.<sup>172</sup> While earlier cases involved more clear-cut cases of scienter,<sup>173</sup> later cases allowed for findings of inequitable conduct in the face of mere negligence.<sup>174</sup> Eventually, the courts determined that mere negligence was insufficient for a finding of intent in an inequitable conduct case,<sup>175</sup> and the most recent cases from the United States Court of Appeals for the Federal Circuit may usher in an even stricter standard for intent.<sup>176</sup> But, as one commentator notes:

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.<sup>177</sup>

Unfortunately, the lack of clarity may hurt plaintiffs and defendants alike by exacerbating the already uncertain nature of litigation. And this lack of uniform criteria from the courts, coupled with potential legislation on the

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2009) (“[A]bsent a finding of deceptive intent, no amount of materiality gives the district court discretion to find inequitable conduct.”); *Allen Eng’g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1351–52 (Fed. Cir. 2002) (rejecting the argument that a reference was “so material that its nondisclosure justifies an interference of intent to deceive”).

<sup>170</sup> See, e.g., *Leviton Mfg. Co.*, 606 F.3d at 1365 (Prost, J., dissenting); *Taltech Ltd. v. Esquel Enter. Ltd.*, 604 F.3d 1324, 1335 (Fed. Cir. 2010) (Gajarsa, J., dissenting) (“This case exemplifies the ongoing pandemic of baseless inequitable conduct charges that pervade our patent system.”); *Avid Identification Sys. v. Crystal Import Corp.*, 603 F.3d 967 (Fed. Cir. 2010) (Linn, J., concurring-in-part and dissenting-in-part); *Therasense, Inc. v. Becton, Dickinson, & Co.*, 593 F.3d 1289 (Fed. Cir. 2010) (Linn, J., concurring-in-part and dissenting-in-part) *vacated by* *Therasense, Inc. v. Beckton, Dickinson & Co.*, Nos. 2008-1511, 2008-1512, 2008-1513, 2008-1514, 2008-1595, 2010 WL 1655391 (Fed. Cir. Apr. 26, 2010).

<sup>171</sup> *Therasense, Inc.*, 2010 WL 1655391.

<sup>172</sup> See discussion *supra* Parts II–III.

<sup>173</sup> See discussion *supra* Part II.A–B.

<sup>174</sup> See discussion *supra* Part II.C.

<sup>175</sup> See discussion *supra* Part II.D.

<sup>176</sup> See discussion *supra* Part III.

<sup>177</sup> O’Connor, *supra* note 4, at 333; see also discussion *supra* Part II.E.

horizon,<sup>178</sup> makes it difficult to predict with any certainty where the future may lie for the intent prong of the inequitable conduct doctrine. Perhaps, after its sixty-five-year silence, the United States Supreme Court will weigh in and clarify the doctrine.<sup>179</sup> Only time will tell.

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<sup>178</sup> Four consecutive congressional sessions have attempted to enact the first overhaul of the U.S. patent system since 1952, many of which include specific provisions that would directly impact the doctrine of inequitable conduct. *See* Patent Reform Act of 2010, S. 515, 111th Cong. (2010); Patent Reform Act of 2009, S. 515, S. 610, H.R. 1260, 111th Cong. (2009); Patent Reform Act of 2008, S. 3600, 110th Cong. (2008); Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007). A discussion of the particulars of those bills, while potentially relevant to the future of the inequitable conduct inquiry, is outside the scope of this Article.

<sup>179</sup> *See* discussion *supra* Part II.A; Sobel, *supra* note 26, at 170 (noting the Supreme Court's "recent propensity to reverse Federal Circuit precedent" and highlighting the "gulf between an intentional, egregious falsehood about the merits of patentability [that] was a basis for issuance by the Patent Office or upholding the patent in litigation, as in the Supreme Court's cases, and negligent omission of information neither important nor relevant to the merits of patentability, as in the Federal Circuit's cases").

