

Appeal Nos. 2008-1511, -1512, -1513, -1514,-1595

In The
UNITED STATES COURT OF APPEALS
For The Federal Circuit

THERASENSE, INC AND ABBOTT LABORATORIES,
Plaintiffs-Appellants,

v.

BECTON DICKINSON AND COMPANY,
and NOVA BIOMEDICAL CORPORATION,
Defendants-Appellees,
and

BAYER HEALTHCARE LLC,
Defendant-Appellee

**Appeal from the United States District Court
for the Northern District of California**

**AMICUS CURIAE BRIEF BY
WASHINGTON STATE PATENT LAW ASSOCIATION
Supporting Neither Party**

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

THERASENSE v BECTON DICKINSON,

Nos. 2008-1511, -1512, -1513, -1514,-1595

CERTIFICATE OF INTEREST

Counsel for amicus curiae, the Washington State Patent Law Association, certifies the following:

1. The full name of every party or amicus represented by me is:

Washington State Patent Law Association

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Does not apply

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None

4. The names of all law firms and the partners and associates that have appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this Court are:

Woodcock Washburn, LLP: Peter J. Knudsen
Paul W. Leuzzi

Date: July 30, 2010

Peter J. Knudsen

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I. STATEMENT OF INTERST OF AMICUS CURIAE

The Washington State Patent Law Association ("WSPLA") is a leading organization for patent attorneys and other patent professionals in Washington State, providing a forum for patent and other intellectual property law issues, and serving as a valuable resource for patent attorneys, agents, educators, students, and intellectual property owners. The association has an active Amicus Committee that voices the concerns of our membership in appropriate cases, such as this one.

WSPLA files this brief in accordance with Federal Rule of Appellate Procedure 29 and the Court's April 26, 2010 Order. WSPLA contacted each of the parties in this litigation for consent to file this brief, and each responded by expressly stating that it has no objection.

II. ISSUES PRESENTED

In this brief we provide guidance to questions presented in the Court's April 26, 2010 Order.

We also provide guidance to the appropriate remedies to be applied when inequitable conduct is found.

III. SUMMARY OF ARGUMENT

The law of inequitable conduct, as it has evolved, has become a plague on the courts and patent system, as well as for innovators and businesses who rely on patents as an enforceable property right. Invoking inequitable conduct has become an automatic defense to most infringement actions, and it continues to unfairly call into question the reputation of attorneys and applicants. Because inequitable conduct holdings have become so onerous, applicants are forced to submit to the Patent and Trademark Office any and all information, even if it is duplicative or only remotely relevant to patentability. As a result, this practice deluges the Office and its examiners with unrequested information that it likely will not be reviewed in a meaningful way. It shifts the focus in an infringement action from the activities of the alleged infringer to the activities of the attorney who had prosecuted the application, providing an all-too-easy escape from wrestling with the difficult tasks of understanding the technical features of the invention and patent, and the liability of the infringer. Moreover, inequitable conduct claims consume valuable time and resources of courts and litigants. The Court's current materiality-intent-balancing framework has permitted the finding of inequitable conduct far too often without a clear showing of

specific intent to deceive the Patent and Trademark Office. For that reason alone, it should be abandoned.

In its place, the Court should return to a higher standard, based on principles of common law fraud, akin to the equitable doctrine of unclean hands, originally applied in the three precedential Supreme Court decisions that gave rise to the inequitable conduct defense: *Keystone Driller v. General Excavator Co.*, 290 U.S. 240 (1933); *Hazel-Atlas Glass Co. v. Hartford Empire Co.*, 322 U.S. 238 (1944); and *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945).

IV. ARGUMENT

A. The materiality-intent-balancing framework for inequitable conduct should be abandoned (Questions 1 and 5)

The materiality-intent-balancing framework for inequitable conduct needs to be abandoned. Its variable application has contributed to a return to the pre-*Kingsdown*¹ habit of claiming inequitable conduct as a defense in most infringement cases. Whereas *Kingsdown* sought to put an end to finding the requisite intent to deceive based solely on the practitioner's carelessness or even gross negligence, today we once again find this Court exercising the nuclear option

¹ *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988)

of holding a patent unenforceable based on all manner of careless acts or omissions that constitute common human errors. For example, finding errors or inconsistencies in the patent prosecution within a worldwide patent family is inevitable given the differences in country laws and the complexity of the task and the span of time over which prosecution occurs. *Therasense, Inc. v. Becton, Dickinson & Co.*, 2010 U.S. App. LEXIS 11373, (Fed. Cir. June 3, 2010). Such a finding does not mean that the patentee or its attorney intended to deceive the Patent and Trademark Office. However, the Court has found such inconsistencies alone can be reason enough for a holding the patent unenforceable. Since the current materiality-intent-balancing framework allows a finding of inequitable conduct, without any actual evidence of specific intent, it needs to be abandoned.

1. The Court's Standard for finding inequitable conduct is too low

The variable application of the balancing framework has led to increasingly severe outcomes, many of which are devoid of egregious or grossly negligent conduct, much less culpability. A sampling of some recent examples of this Court where the conduct was found to constitute inequitable conduct and thus the entire patent was deemed unenforceable include the following:

General Electro Music Corp. v. Samick Music Corp., 19 F.3d 1405 (Fed. Cir. 1994), conducting only an informal (as contrasted with a formal) prior art search in connection with petition to make special;

Dayco Products, Inc. v. Total Containment, Inc., 329 F.3d 1358 (Fed. Cir.

2003), failure to disclose a contrary decision of another examiner reviewing a substantially similar claim in a co-pending application (remanded for intent to deceive finding);

Bruno Independent Living Aids, Inc. v. Acorn Mobility Services, Ltd., 394 F.3d

1348 (Fed. Cir. 2005), failure to disclose information submitted to another governmental agency;

Ferring B.V. v. Barr Laboratories, Inc., 437 F.3d 1181 (Fed Cir. 2006), failure

to set forth all the relationships of the affiants to the patentee;

McKesson Information Solutions, Inc. v. Bridge Medical, Inc., 487 F.3d 897

(Fed. Cir 2007), failure to cite a notice of allowance by the same examiner in a co-pending application;

Nilssen v. Osram Sylvania, Inc., 504 F.3d 1223 (Fed. Cir. 2007),

misrepresentation of small entity status;

Aventis Pharma S.A. v. Amphastar Pharmaceuticals, Inc., 525 F.3d 1334 (Fed.

Cir. 2008), omission of dosage information in an affidavit;

Praxair, Inc. v. ATMI, Inc., 543 F.3d 1306 (Fed. Cir. 2008), inaccurate or

misleading attorney argument;

Larson Manufacturing Co. of South Dakota, Inc. v. Aluminart Products, Ltd.,

559 F.3d 1317 (Fed. Cir. 2009), withholding from the examiner the third

and fourth office actions in a co-pending case despite all others having been disclosed (remanded for a finding on intent to deceive);

Therasense, Inc. v. Becton, Dickinson & Co., 2010 U.S. App. LEXIS 11373, (Fed. Cir. June 3, 2010), failure to disclose statements made to the European Patent Office; and

Taltech Ltd. v. Esquel Enterprises, Ltd., 604 F.3d 1324, (Fed. Cir. 2010), failure to disclose the inspiration of the invention.

These cases demonstrate how this Court has veered from the direction of *Kingsdown* which held that carelessness or even gross negligence should not constitute inequitable conduct. In almost all of these cases listed above, there was no meaningful evidence of a specific intent to deceive the Patent and Trademark Office. Moreover, all of the misrepresentations or omissions were substantially less severe than the egregious fraud, perjury and extortion that formed the basis of the three precedential Supreme Court cases. These results demonstrate that the standard being invoked by the Court is an expectation of perfect information, argument, and legal practice in patent prosecution, since it too frequently captures basic human errors, be they acts or omissions, that appear closer to negligent behavior than perpetrating any intentional fraud on the Patent and Trademark Office.

Materiality, in the inequitable conduct context, seems to be decided under several different standards, including the highly subjective standard of whether a "reasonable examiner" would have wanted to know about the misrepresentation or omission. *See, e.g., Leviton Mfg. Co., Inc. v. Universal Sec. Instruments, Inc.*, 606 F.3d 1353 (Fed. Cir. 2010) *citing PerSeptive Biosystems, Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315, 1321 (Fed. Cir. 2000) *and Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1314 (Fed. Cir. 2006). Such a broad, ambiguous standard compels applicants to produce copious amounts of information during prosecution of a patent application, even though some of it may not be relevant to patentability or may be redundant. Such voluminous disclosures consume time and resources of both applicants and the Patent and Trademark Office making the job of the patent examiners more difficult.

We believe that the materiality standard should encourage applicants to submit to the Patent and Trademark Office the most relevant references to patentability of an invention, and not compel attorneys and applications to be over-inclusive simply to avoid later claims of inequitable conduct. Hence, we submit that a misrepresentation or omission should be considered material only when, absent the misrepresentation or omission, at least one claim of the asserted patent would not have issued. Harkening to the common law standard for fraud, there would be no detrimental reliance if this standard were not met. Detrimental

reliance and specific intent are required in the three precedential Supreme Court cases that gave rise to the judicially created doctrine of inequitable conduct.

Further confounding the inequitable conduct inquiry, this Court most recently extended the duty to disclose under 37 C.F.R. 1.56 to individuals other than those directly involved in the prosecution of the patent application. *Avid Identification Sys. v. Crystal Imp. Corp.*, 2010 U.S. App. LEXIS 14765, at *7 (Fed. Cir. Apr. 27, 2010), citing *Praxair*, 543 F.3d at 1314-15. Such individuals, in this instance being both the founder and president of the company, are without any means of measuring materiality. The imposition of such a sweeping net of inequitable conduct who have a duty to disclose only encourages potential infringers and their counsel to continue to claim inequitable conduct defenses and push the boundaries of the inequitable conduct doctrine in ways detrimental to our system of justice, and our innovators and businesses who rely on strong and enforceable patents.

The law, as this Court has allowed it to develop, has enabled a patentee's oversights to be magnified out of proportion by one accused of infringement. See, e.g., *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931 (Fed. Cir. 1990). For this reason the materiality-intent-balancing framework is not working in a way consistent with the standard outlined by the Supreme Court in *Keystone Driller*, *Hazel-Atlas Glass*, and *Precision Instrument*.

2. The Duty to Disclose as required by 37 C.F.R. 1.56(b)(2) has increased costs and created a “Catch 22” for Applicants

Revision of the test for inequitable conduct is necessitated by the intractable position into which a patent practitioner or applicant is placed by current standards. This Court has held that failing to make a material disclosure as that term is defined in 37 CFR 1.56(b)(2) can support a claim of inequitable conduct.² See *Monsanto Co. v. Bayer Bioscience N.V.*, 514 F.3d 1229, 1239 (Fed. Cir. 2008). *Monsanto*, together with holdings such as in *McKesson* and *Larson* to the effect that failing to disclose related cases or office actions from reexaminations of related patents (which can be argued to be “inconsistent” with positions the applicant has taken) can constitute inequitable conduct, create insoluble disclosure problems for applicants and their attorneys/agents prosecuting related domestic and foreign applications that are commonly owned or have a common inventor. To protect against charges of inequitable conduct, an applicant must file a new RCE with additional disclosures whenever a new office action issues (or additional art is cited) in counterpart applications that contain similar claims. But if the applicant

² 37 CFR 1.56(b) states that “information is material to patentability when it is not cumulative to information already of record or being made of record in the application, and

- (1) It establishes, by itself or in combination with other information, a *prima facie* case of unpatentability of a claim; or
- (2) It refutes, or is inconsistent with, a position the applicant takes in:
 - (i) Opposing an argument of unpatentability relied on by the Office, or
 - (ii) Asserting an argument of patentability.”

discloses every possible reference, the applicant may then be accused of inequitable conduct by making a material reference “a needle in a haystack.”

Molins Plc v. Textron, 48 F.3d 1172, 1188 (Fed. Cir. 1995).

These cases show that the materiality standard of 37 C.F.R. 1.56(b)(2) itself makes patent prosecution unworkable; conduct becomes almost inevitably “inequitable,” which its ubiquity in today’s litigation pleadings demonstrates. Therefore, the Court should adopt 37 C.F.R. 1.56(b)(1) as a necessary criterion for proving inequitable conduct, namely that a disclosure “establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim.” This is consistent with the proposed but-for test, since failure of the *prima facie* test would correlate to failure of the but-for test.

3. Supreme Court precedent is not being followed

This Court has departed from the standard of egregious conduct that the Supreme Court required in finding inequitable conduct. In *Corona Cord Tire Co. v. Dovan Chemical Corp.*, 276 U.S. 358 (1928) the Court found the submission of a “reckless” affidavit related to reduction to practice and utility did not necessarily destroy the underlying patent’s presumption of validity given the statements were not material to the patent's issuance. Subsequently, the Supreme Court in *Keystone Driller, Hazel-Atlas Glass and Precision Instrument* held that fraud and inequitable conduct was a defense to an infringement action under the general equitable

doctrine of unclean hands. However, each of these cases involved intentional misconduct of a serious nature with clear showings of both materiality and a specific intent to deceive, not careless omissions or misrepresentations unrelated to patentability as has been the case in some of the more recent decisions of this Court.

In *Keystone Driller* the Court prevented the plaintiff from enforcing its patents because in a prior litigation involving those same patents the plaintiff had influenced a witness (his brother) and suppressed evidence concerning a prior public use that had occurred. The Court applied the equitable doctrine of unclean hands in coming to its decision.

In *Hazel-Atlas Glass* the Court found that use of a fabricated publication that praised the invention before the Patent and Trademark Office constituted such a fraud as to vacate the lower court's patent infringement holding. The Court found that officials and attorneys of the plaintiff conspired to place an article in a trade journal from a supposedly disinterested expert that praised the invention as a remarkable advance in the art. Plaintiff's attorneys used the article before the Patent and Trademark Office in support of patentability. They also used the article during litigation. The Court found the conduct unconscionable. The attorneys were subsequently disbarred from Patent and Trademark Office practice, which when appealed to the Supreme Court was upheld because the relationship of patent

attorneys to the Patent and Trademark Office required “the highest degree of candor and good faith”.

In *Precision Instrument* the Court, relying upon the doctrine of unclean hands, prevented the plaintiff in an infringement action from enforcing its patents after it was shown that the patents were obtained without disclosing to the Patent and Trademark Office perjury that took place during an interference proceeding. The Court stated that the doctrine of equity with respect to unclean hands took on “wider and more significant proportions” when a suit concerned the public interest. The Court stated that a patent “by its very nature is affected with a public interest” and went on to articulate the duty of disclosure.

In each of these cases, the misconduct was of a serious and clearly intentional nature. This Court’s recent jurisprudence has significantly lowered this bar. In so doing it has not only placed an ever-expanding duty on patentees and their attorneys, but also on innovators and businesses, and an already overburdened and backlogged Patent and Trademark Office. It holds patent attorneys to an impossibly high standard of conduct nearing perfection, such that there is no room for any human mistakes or misstatements while prosecuting a patent application. This is an unreasonably high standard of conduct. Moreover, if that is not enough, they must also anticipate new unforeseen expansions of the doctrine of inequitable conduct. For example, how could it have been reasonably anticipated that there

was a duty to report to an examiner that he, the very same person, had issued a notice of allowance in a related case? See *McKesson*, 487 F.3d at 925-26. Thus, this framework is useful primarily for an alleged infringer to obliterate an otherwise enforceable patent, because the patentee or its attorneys although not intentionally deceiving the Patent and Trademark Office, have erred in some manner during its prosecution. Apparently, the only constraints on this expanding doctrine seem to be the imagination of the defense counsel, as is demonstrated by this Court's pronouncements that checking a small entity status or failing to disclose the "inspiration" of an invention are so material as to render the entire patent unenforceable. *Nilssen and Taltech*. Such attacks on patents that render them unenforceable, based on such a low standard, creates uncertainty and hardship for innovators and businesses who rely on enforceable patent rights.

This entire trend in inequitable conduct jurisprudence has resulted in an ever-increasing focus on the patent prosecution practice rather than seeking the true scope of the patented invention relative to the purported infringing activities or products. This practice and has led to increasing attacks on the reputations of prosecuting patent attorneys without adequately demonstrating the intent to deceive. When the detrimental risk to innovators and businesses of the obliterating result that a finding of inequitable conduct has on enforceability of the underlying patent is coupled with the prospect of an ethical disciplinary action on a

prosecuting patent attorney it is no wonder that the current system has led to an escalation of the war between the litigants. Such escalation has unnecessarily increased the complexity and cost of such litigation rather than encouraging a civil settlement, and has eroded the strength of our patents.

**B. The standard was tied directly to fraud or unclean hands
(Questions 2 and 6)**

1. Statutory Fraud

By statute, the commission of fraud before a federal agency is prohibited. 18 U.S.C. § 1001. While a federal agency can bring a claim against a person under 18 U.S.C. § 1001, inequitable conduct is a defense against a claim of infringement in litigation. The Patent and Trademark Office is not unique among federal agencies in having a vital function that affects the public interest. We assert that given the protection the Patent and Trademark Office has under 18 U.S.C. § 1001, it does not require any special protections to undertake its mission. However, recognizing that an infringement defendant may be better positioned and motivated to investigate facts related to inequitable conduct than the Office, we submit that the evidentiary showing required to support a finding of inequitable conduct should be no less than is required to show fraud under 18 U.S.C. § 1001. To show fraud against a federal agency, the agency must demonstrate a (1) willful (2) falsification or concealment concerning a matter (3) material to (4) the agency's jurisdiction. 18 U.S.C. § 1001.

2. The Court should apply standards of common law fraud

The Federal Circuit has openly acknowledged that its standard in inequitable conduct litigation has expanded over time and no longer includes a requirement for specific, fraudulent intent and detrimental reliance. *See, Agfa Corp. v. Creo Products* 451 F.3d 1366, 1375 n.3 (Fed Cir. 2006); *see also Nobelpharma AB v. Implant Innovations* 141 F.3d 1059, 1070-71 (Fed. Cir. 1998). We submit that a finding of specific, fraudulent intent and detrimental reliance, both supported by evidence, should be required for a finding of inequitable conduct, as required for a finding of fraud under common law standards.

C. Proposed Standard

WSPLA advocates revising the inequitable conduct inquiry to limit its exercise to the natural bounds defined by common law and statutory law as they have evolved over decades of jurisprudence. A better standard for the Court to apply would be one cognizant of the far-reaching consequences of an adverse judgment following such proceeding and inquiry. WSPLA urges the Court to adopt a standard based on common law fraud, which would include the following elements, which must be shown by clear and convincing evidence: (1) the applicant or attorney prosecuting the patent application has misrepresented or omitted material information; (2) "but for" the misrepresented or omitted information, at least one of the claims of the patent would not have issued; and (3)

the misrepresentation or omission was made with specific intent to deceive the Office during examination of the patent application.

This "but-for" standard incorporates the two elements required under common law fraud, namely detrimental reliance and specific intent. Application of this standard should limit adverse judgments of unenforceability to those cases in which truly egregious acts were committed, and not punish those who merely committed errors of judgment or procedure. In instances in which a misrepresentation or omission did occur, and yet no claim in the patent is found invalid in light of this information, then there has been no harm to the public. Thus the rules of the agency should be adequate to remedy this wrong. As in other litigation, the remedies should be proportional to the infraction, and should not be used as a lever for transforming an infringement action into an ethical inquiry directed at patentees and their attorneys.

D. Appropriate remedy for a finding of inequitable conduct

1. General

In addition to determining the proper standard for determining inequitable conduct, WSPLA emphasizes that when inequitable conduct is found, rather than holding all claims of a patent unenforceable, the courts should balance the deficiencies in a patentee's conduct with an appropriate remedy. The Court's

current approach is overly punitive and contrary to Supreme Court jurisprudence and fundamental principles of equity.

Based on the underlying equitable basis for inequitable conduct determination, courts should be given broad discretion to craft flexible remedies contoured to the degree of “bad faith” or “unclean hands” displayed by a patentee. In particular, a flexible remedy based on common law fraud in the contract context is a better and more equitable approach than the Court’s rigid, punitive remedy for inequitable conduct which results in a wholly unenforceable patent. Moreover, such flexible remedy for inequitable conduct is firmly rooted in fundamental principles of equity and would ensure that the patentee receives the legal benefit accorded their patented inventions while safeguarding the public against fraudulently obtained patent monopolies.

2. Supreme Court jurisprudence supports fundamental principles of equity

The Court’s unduly harsh remedy for inequitable conduct stands in stark contrast to Supreme Court jurisprudence and fundamental principles of equity. As the Supreme Court acknowledged in pre-Federal Circuit patent cases addressing inequitable conduct, courts have broad discretion in dealing with litigants coming to court with unclean hands, and courts “are not bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion.”

Precision Instrument, 324 U.S. at 814 (quoting *Keystone Driller*, 290 U.S. at 245-46).

Courts have long had broad discretion to craft equitable remedies based on the particular facts of a given case. *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944) (“The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it.”). Indeed, prior to the creation of the Federal Circuit, the Third Circuit acknowledged that the “refusal of courts to enforce patents in cases [involving inequitable conduct] is founded on equitable notions,” and that courts “possess the equitable discretion to choose whether to deny enforcement of [a patent obtained through inequitable conduct] in part or in whole.” *In re Multidistrict Litigation Involving Frost Patent*, 540 F.2d 601, 611 (3rd Cir. 1976) (considering the “totality of the circumstances” surrounding the inequitable conduct, and holding unenforceable only the claims of the patent related to the patentee’s inequitable conduct).

Instead of being forced to apply the Court’s current remedy for inequitable conduct, district courts should be given broad discretion to craft flexible remedies tailored to particular conduct. Granting courts discretion to craft flexible remedies tailored to particular conduct is consistent with both Supreme Court jurisprudence and fundamental principles of equity.

3. A remedy based on principles of common law fraud in the contract context is a better approach

Courts have analogized a patent to a contract between the government and the patent applicant. *See, e.g., Markman v. Westview Instrs., Inc.*, 52 F.3d 967, 984-85 (Fed. Cir. 1995). As consideration for the contract, an inventor discloses his or her invention to the public (in satisfaction of 35 U.S.C. § 112), and in exchange, the public grants the inventor the right to exclude others from making, using, or selling the claimed invention for a limited period of time. *Id.*

Inequitable conduct is one area of patent law that has strong parallels with contract law. In particular, the judicially-created doctrine of inequitable conduct is rooted in a series of Supreme Court cases that applied a modified common law fraud theory to patent applicant conduct during patent prosecution. *Digital Control*, 437 F.3d at 1315 (citing *Precision Instrument*, 324 U.S. 806 (1945); *Hazel-Atlas Glass*, 322 U.S. 238; *Keystone Driller*, 290 U.S. 240). But in contrast to the flexible remedies available for common law fraud, once a court determines that inequitable conduct occurred during prosecution of the patent application, typically all claims of the patent are deemed unenforceable, as well as those of other patents not directly involved in the inequitable conduct.

4. Contract law provides guidance for equitable remedy for inequitable conduct

Looking to fraud principles in contract law can provide guidance insofar as an appropriate and balanced equitable remedy for the scope of patent unenforceability which inequitable conduct has been found. The enforceability of a contract obtained through fraud is curtailed, but not to the same extent as a patent obtained through inequitable conduct under current Federal Circuit jurisprudence. Rather than void an entire contract in all circumstances of fraud, courts have held that fraud committed by one party during the formation of a contract can make the contract either void or voidable depending on the nature of the fraud.

FARNSWORTH ON CONTRACTS § 4.10 (2nd ed. 2001) (comparing fraud in the inducement and fraud in the execution). Fraud in the inducement involves fraudulently inducing a party to assent to a contract through a material misrepresentation or omission regarding the subject matter of the contract where the party would not have assented to the contract but for the misrepresentation or omission. *FARNSWORTH ON CONTRACTS* § 4.10 (2nd ed. 2001). “Fraud *in factum*” involves inducing a party to believe that the contract is something different than it actually is such that the party did not know that he was entering into a contract. *FARNSWORTH ON CONTRACTS* § 4.10 (2nd ed. 2001). Fraud in the inducement renders the contract voidable at the option of the defrauded party, whereas fraud *in factum* renders the contract void. *FARNSWORTH ON CONTRACTS* § 4.10 (2nd ed. 2001). “Only rarely... is a misrepresentation seen as

going to the very nature of the contract itself,” and “[i]n the great bulk of cases, the misrepresentation is seen as going only to the inducement with the result that the contract is voidable.” *FARNSWORTH ON CONTRACTS* § 4.10 (2nd ed. 2001).

Inequitable conduct in the patent law context is more similar to fraud in the inducement rather than fraud *in factum* because inequitable conduct typically involves a material misrepresentation or omission on the part of the patentee that induces the Patent and Trademark Office to grant a patent. *See Digital Control*, 437 F.3d at 1313. These similarities between patents and contracts, and the similarity between inequitable conduct in obtaining a patent and fraud in the inducement prong of common law contract fraud, make it reasonable to look to remedies for common law fraud in the contract law context to craft a more flexible and equitable remedy for inequitable conduct in the patent law context.

In the patent law context, a court applying a flexible remedy to inequitable conduct would have discretion to craft appropriate remedies tailored to the particular facts of a case. For example, even under the current Court’s standards used to determine inequitable conduct in a situation where a finding of inequitable conduct is based on intent to deceive that is merely inferred from the materiality of the misstatement or omission, and where there may be no specific intent to deceive, a court may choose to void only the claims of the patent that relate to the subject matter of the misstatement or omission. In such a situation, a court

applying a flexible remedy based in equity can tailor the remedy to better suit the nature of the inequitable conduct.

5. An equitable remedy makes more sense than the Court's current approach

Applying a more flexible theory to inequitable conduct remedies is more equitable than rendering an entire patent (and its related patents in some cases) unenforceable. While common law fraud is more difficult to establish than the current standard of inequitable conduct, the remedy for inequitable conduct in the patent context is far more severe than the remedy for common law fraud in contract. Thus not only do we advocate abandoning the current materiality-intent balancing standard for inequitable conduct, but also a concordant tailoring of the remedy when inequitable conduct is determined.

To be liable for common law fraud, a party must (i) knowingly (ii) misrepresent or withhold a material fact (iii) with intent to deceive another party, where (iv) the deceived party justifiably relies on the misrepresentation (iv) to the deceived party's detriment. *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363-64 (Fed. Cir. 1984). A comparatively much lower showing is required for a finding of inequitable conduct. In particular, under the Court's current jurisprudence a court will find inequitable conduct when (i) "an applicant, with intent to mislead or deceive the examiner, fails to disclose material information or submits materially false information to the PTO during

prosecution,” and (ii) the applicant’s conduct rises to the level of inequitable conduct based on a “balancing of the levels of materiality and intent, ‘with a greater showing of one factor allowing a lesser showing of the other.’” *Digital Control*, 437 F.3d at 1313 (quoting *Union Pac. Res. Co. v. Chesapeake Energy Corp.*, 236 F. 3d 684, 693 (Fed. Cir. 2001)). Moreover, inequitable conduct may still be found even when a patent examiner did not rely on a particular misrepresentation or omission in deciding to grant the patent. *See Nilssen*, 504 F.3d at 1233; *see also Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1347 (Fed. Cir. 2007).

Even though the elements of inequitable conduct are easier to prove than the elements of common law fraud, the remedy for inequitable conduct is much more severe than the remedy for common law fraud. In particular, a finding of inequitable conduct results in the unenforceability of the entire patent (*Digital Control*, 437 F.3d 1309) including unenforceability of claims not at all involving the subject matter of the inequitable conduct (whether in the same patent or in others; *see, e.g., Consolidated Aluminum v. Foseco Int’l, Ltd.*, 910 F.2d 804, 809 (Fed. Cir. 1990)), whereas, as discussed above, a contract involving fraud in the inducement leads to voidability of the contract. These results are contrary to settled equitable principles, wherein the severity of the remedy bears a close relation to the extent to which a party comes to the court with “unclean hands.”

6. Providing a claim based remedy for inequitable conduct would safeguard the public against fraudulent patent monopolies and provide an objective, rational remedy

Under a more flexible approach to the remedy associated with inequitable conduct, the public would still get benefit of the patentee's disclosure of new and useful information, but the patentee would simply not be allowed to enforce:

- (a) claims obtained through inequitable conduct; or
- (b) claims that include the elements or steps to which the inequitable conduct related (e.g. were the subject of misrepresentations or omissions of prior art, falsified test results, etc.); where, however,
- (c) other claims, including claims in the same patent that do not include any elements relating to the inequitable conduct, would be allowed to be enforced.

Applying such a flexible remedy to inequitable conduct would meet the overriding policy goal of inequitable conduct jurisprudence by “safeguard[ing] the public...against fraudulent patent monopolies,” *Precision Instrument*, 324 U.S. at 818, because a patentee would not be able to enforce claims that were either obtained through inequitable conduct or that include subject matter related to its inequitable conduct.

Indeed, as noted above, prior to the creation of the Federal Circuit, the Third Circuit reversed a district court's holding of unenforceability of all claims of patent obtained through inequitable conduct because “the refusal of courts to enforce

patents in cases such as this is founded on equitable notions” and courts “possess the equitable discretion to choose whether to deny enforcement of the patent in part or in whole.” *In re Multidistrict Litigation*, 540 F.2d at 611. Upon considering the “totality of the circumstances,” the Third Circuit concluded that the record “require[d] denial of enforcement of [the patent] only to the extent that its claims purport to apply to flexible polyether urethane foams” which was the subject of the patentee’s misrepresentation to the examiner. *In re Multidistrict Litigation*, 540 F.2d 601 at 611.

The above “tailored” remedy for inequitable conduct would still act as a deterrent to would-be fraudulent activity by applicants, because all claims containing the subject matter relating to the fraud would be unenforceable. On the other hand, it would curtail the overreaching nature of current unenforceability holdings.

The proposed claim-based standard for unenforceability would also allow “reaching across” to related cases to find unenforceability of claims containing the subject matter of the inequitable conduct. Thus, it would preserve the deterrent effect of the doctrine while more objectively and rationally relate to an appropriate equitable remedy.

Following this reasoning we submit that the Court should adopt a more flexible standard that limits unenforceability to claims obtained through inequitable

conduct, as well as claims in the patent at issue and related patents that include any of the elements disclosed in material information withheld from (or misrepresented to) the Patent and Trademark Office that a District Court used as the basis for its inequitable conduct determination. Other claims should not be held unenforceable.

V. CONCLUSION

For the reasons set forth above, WSPLA respectfully requests that the Court replace the current materiality-intent balancing standard. WSPLA recommends a standard based on common law fraud, including (1) the applicant or attorney prosecuting the patent application has misrepresented or omitted material information; (2) a *per se* requirement that "but for" the misrepresented or omitted information, at least one of the claims of the patent would not have issued; and (3) evidentiary proof of specific intent to deceive the Patent and Trademark Office during examination of the patent application.

Allowing a court the discretion to craft an equitable remedy that is tailored to the degree of the inequitable conduct would more closely tailor the wrong that resulted in inequitable conduct, to the remedy, while still safeguarding the public against fraudulent patent monopolies.

CERTIFICATE OF SERVICE

I, Erika Eidsmoe, am a legal secretary for the law firm of Woodcock Washburn LLP, 999 Third Avenue, Suite 3600, Seattle, Washington. I hereby certify that on the 30th day of July, 2010, I caused to be served via overnight courier upon the following, true and correct copies (2) of *amicus Curiae Brief by Washington State Patent Law Association*:

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I declare under penalty of perjury under the laws of the State of Washington
that the foregoing is true and correct.

DATED this 30th day of July 2010 at Seattle, Washington.

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CERTIFICATE OF COMPLIANCE

In accordance with Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned certifies that this brief complies with the applicable type-volume limitations. Exclusive of the portions exempted by the Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b), this brief contains 6987 words. This certificate was prepared in reliance on the word count of the word processing system (Microsoft Word 2003) used to prepare this brief.

The undersigned further certifies that this brief, which was prepared in the 14-point Times New Roman font of Microsoft Word 2003, complies with the typeface and type style requirements of Federal Rule of Appellate Procedure 32(a)(5) and (a)(6).

July 30, 2010

Erika Eidsmoe