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INEQUITABLE CONDUCT: PERSISTENT PROBLEMS AND RECOMMENDED RESOLUTIONS

I. INTRODUCTION

There are several equitable defenses that precludes a patent owner from recovering for infringement, including unclean hands,¹ estoppel,² and laches.³ The doctrine of unclean hands can further be distinguished into patent misuse⁴ and inequitable conduct.⁵ Inequitable conduct, often referred to as a breach of the duty of candor⁶ and fraud on the Patent and Trademark Office (PTO),⁷ is a frequently asserted defense to patent infringement.⁸ Inequitable conduct is a defense to infringement that occurs when the certain individuals associated with a patent prosecution

1. The doctrine of unclean hands evolved from requirements of conscience and good faith, and gives a court of equity discretion to refuse aid to claimants who do not come with "clean hands." See *Precision Instrument Mfg. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 814 (1945).

2. Estoppel is an equitable defense that arises where the alleged infringer is materially prejudiced by relying on a patent owners misleading intent as to enforcing his patent rights. See *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1042 (Fed. Cir. 1992) (en banc).

3. The defense of laches arises where the alleged infringer is materially prejudiced by the patent owner's unreasonable and inexcusable delay in filing suit. See *id.* at 1032.

4. Patent misuse is a defense against allegations of infringement where the patent owner's conduct violates antitrust laws or expands the scope of the patent rights and has an anti-competitive effect. See *Virginia Panel Corp. v. Mac Panel Co.*, 133 F.3d 860, 868-69 (Fed. Cir. 1997).

5. Inequitable conduct may also constitute grounds for liability on the part of the patentee as a "Walker Process Claim." Walker Process Claims are distinguished from inequitable conduct in that they constitute antitrust liability premised on affirmative misrepresentations, or knowing and willful fraud on the PTO. See *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965); see also *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1364 (Fed. Cir. 1998); *Nobelpharma AB v. Implant Innovations, Inc.*, 129 F.3d 1463, 1473 (Fed. Cir. 1997). Thus, "inequitable conduct that will render a patent unenforceable is a broader, more inclusive concept than the fraud needed to support a Walker Process counterclaim." *Nobelpharma*, 129 F.3d at 1473.

6. See 37 C.F.R. § 1.56(a) (1997).

7. See *Kimberly-Clark Corp. v. Johnson & Johnson Co.*, 745 F.2d 1437, 1449 (Fed. Cir. 1984). Fraud on the PTO is somewhat misleading because inequitable conduct is different than common law fraud; inequitable conduct is broader than common law fraud, has different elements, and is a different offense. See *C.R. Bard*, 157 F.3d at 1364-65; *infra* note 17.

8. See *Kimberly-Clark*, 745 F.2d at 1454 ("'Fraud in the PTO' has been overplayed, is appearing in nearly every patent suit, and is cluttering up the patent system.").

violate a duty of candor by intentionally disclosing or failing to disclose or misrepresenting certain information.⁹ Specifically, applicants have a duty to disclose information that is material to the patentability of an invention. A breach of the duty of candor occurs before the application issues as a patent, that is, prior to or during the time the application is being examined by the PTO.¹⁰

With the relaxation of requirements for asserting an inequitable conduct defense, the Federal Circuit inadvertently provided a "plague" of inequitable conduct charges.¹¹ To be sure, acquisition of a patent by improper means inflicts damage on the patent system, patentees, the courts, third parties, and the society at large.¹² The patent system is damaged by being violated, circumvented, or exploited. Also, patentees who are wrongly accused of inequitable conduct may suffer through wasteful and expensive litigation that distracts them from further innovation, and potentially tainting their reputation. The courts are impaired due to a myriad of needless inequitable defenses and appeals. Even third parties, such as consumers and inventors, are harmed by excessive use of the inequitable conduct defense because it places a cloud

9. See 6 DONALD S. CHISUM, CHISUM ON PATENTS § 19.03 (1998).

10. The application proceeding before the PTO is often called "patent prosecution." In order for an application to issue as a patent, the application must meet certain disclosure requirements. See 35 U.S.C. § 112 (1994) (requiring the application's specification to include a written description of the invention sufficient to enable any person skilled in the art to make and use the claimed invention, and include the best mode to carry out the claimed invention). Also, the claimed invention must meet several conditions of patentability. See 35 U.S.C. §§ 101-103 (1994). Section 101, in general, requires the claimed invention to constitute patentable subject matter and have general, beneficial, and practical utility. See *Brenner v. Manson*, 383 U.S. 519, 533 (1966). Section 102 contains dual requirements: novelty and loss of right. 35 U.S.C. § 102. First, the claimed invention must be novel; that is, each element of the claim is not found in a single prior art reference. In other words, the claimed invention is anticipated, or not novel, when each element of the claimed invention is found in a single prior art reference prior to the date of invention. Second, there must be no loss of right to the invention claimed; for example, the invention was not on-sale or in public use by the inventor more than one year before filing the patent application. Section 103 requires the invention not be obvious in light of the scope and content of the prior art, persons having ordinary skill in the pertinent art, and secondary considerations; that is, multiple prior art references cannot be combined to form the claimed invention. See *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). The burden is on the PTO examiner to show, by a preponderance of the evidence, that the claimed invention does not meet a condition of patentability.

11. See Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L. & TECH. 37, 85-86 (1993); *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988).

12. See *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995); see also *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1383 (Fed. Cir. 1998).

over the enforceability¹³ of the patent and may delay a finding of invalidity. Society at large is damaged when it receives a poor bargain and has to pay for the effect of a patent in terms of monopolistic exclusivity and high prices.¹⁴

Inequitable conduct occurs where a patent applicant¹⁵ defrauds the Patent and Trademark Office (PTO)¹⁶ by affirmatively misrepresenting or by omitting information that may be relevant to the patentability of their invention.¹⁷ Although considered fraud on the PTO, inequitable conduct involves a lower standard than the standard applied to common law fraud.¹⁸ In response to such mendacious conduct, the courts turn to

13. The effect of inequitable conduct renders a patent unenforceable for the life of the patent, rather than invalid. See discussion *infra* Part III.C.

14. Patents represent a quid pro quo between the government/society and the inventor. In exchange for complete disclosure of an invention, the inventor receives the ability to exclude others from use for a period of twenty years from the date of application. See *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1571 (Fed. Cir. 1983).

15. Throughout this Comment, "applicant" is meant to include all persons that have a duty of candor under 37 C.F.R. § 1.56(c) (1997). Specifically, persons with a duty include

[e]ach inventor named in the application; [e]ach attorney or agent who prepares or prosecutes the application; and [e]very other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application.

Id.; see also *infra* notes 57-58 and accompanying text.

16. Although the Patent Office was not renamed the Patent and Trademark Office until 1975, Pub. L. No. 93-596 § 1, 88 Stat. 1949 (1975), I refer to the entity of patent granting agency of the United States as the Patent Trademark Office, or PTO.

17. Inequitable conduct is also referred to as a breach of a duty of candor and as fraud on the PTO. See, e.g., 37 C.F.R. § 1.56(a) (1997); Donald S. Chisum, *Best Mode Concealment and Inequitable Conduct in Patent Procurement: A Nutshell, a Review of Recent Federal Circuit Cases and a Plea for Modest Reform*, 13 SANTA CLARA COMPUTER & HIGH TECH. L.J. 277, 293 (1997) [hereinafter *Inequitable Conduct in Patent Procurement*]. Courts adopted "inequitable conduct" to indicate its special application to patent applications. See *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984); cf. *Precision Instrument Mfg. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945).

18. See *J.P. Stevens*, 747 F.2d at 1559 (fraud on the PTO is called inequitable conduct because the "fraud" label can be confused with other forms of conduct); *Orthopedic Equip. Co. v. All Orthopedic Appliances*, 707 F.2d 1376, 1383 (Fed. Cir. 1983). "The tort of fraud requires that there was a successful deception, and action taken by the person deceived that would not have otherwise been taken." *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1364 (Fed. Cir. 1998). The elements of common law fraud are: (1) misrepresentation of a material fact; (2) intent to deceive or scenter; (3) justifiable reliance on the misrepresentation by the party deceived; and (4) injury caused by reliance on the misrepresentation. See generally *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363-64 (Fed. Cir. 1984) ("Here, however, because an applicant's misrepresentation or failure to meet his duty to disclose to the Office information . . . which is material will not in itself render a patent invalid or

the doctrine having the "equitable maxim that 'he who comes into equity must come with clean hands.'"¹⁹

The duty of candor provides that certain individuals affiliated with a patent application have positive and negative duties related to submitting information.²⁰ Inequitable conduct occurs where there is a breach of this duty.²¹ Inequitable conduct relates to the violation of a patent applicant's duty to disclose to the PTO information known to the patentee that is material to the examination of a patent application.²² Put another way, the application and individuals associated with the application are to refrain from misrepresenting, falsifying, or withholding material information for the purpose of acquiring patent rights.²³ The courts and Federal Circuit judges disagree as to the proper legal standard for inequitable conduct, thereby causing a varied application.

Debate regarding inequitable conduct arises from several places, including its sporadic evolution over the years; the Federal Circuit's struggle to root out fraud on the PTO yet rein in the excessive, frivolous allegations of fraud; and the PTO's recent amendment to the regulation that

unenforceable. . ."). Applying common law fraud to patent prosecution, the Federal Circuit in *C.R. Bard* required

- (1) a false representation or deliberate omission of a fact material to patentability,
- (2) made with the intent to deceive the patent examiner, (3) on which the examiner justifiably relied in granting the patent, and (4) but for which misrepresentation or deliberate omission the patent would not have been granted.

C.R. Bard, 157 F.3d at 1364. Like inequitable conduct, fraud renders a patent unenforceable. See *id.* Inequitable conduct, however, is broader than common law fraud because the failure to disclose material information or submission of false information does not require reliance on the part of the PTO or examiner. See *C.R. Bard*, 157 F.3d at 1365; *J.P. Stevens*, 747 F.2d at 1559. Unlike inequitable conduct, good faith, alone, is a defense to the charge of common law fraud. Compare *C.R. Bard*, 157 F.3d at 1365 ("Good faith is an absolute defense to the charge of common law fraud."), with *Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1330 (Fed. Cir. 1998) ("[G]ood faith is only one factor to be considered . . .").

19. *Precision*, 324 U.S. at 814 ("[The] doctrine is rooted in the historical concept of court of equity as a vehicle for affirmatively enforcing the requirements of conscience and good faith."). Further, the Court stated that "equity does not demand that its suitors shall have led blameless lives, . . . it does require that they shall have acted fairly and without fraud or deceit as to the controversy in issue." *Id.* at 814-15 (citations omitted).

20. See 37 C.F.R. § 1.56 (1997).

21. See *J.P. Stevens*, 747 F.2d at 1559.

22. See *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988) (en banc).

23. See *Baxter Int'l*, 149 F.3d at 1327 ("Inequitable conduct includes affirmative misrepresentations of a material fact, failure to disclose material information, or submission of false material information, coupled with an intent to deceive."); *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995).

provides a guideline for determining an element of inequitable conduct.²⁴ This struggle has caused narrow and inconsistent interpretations of the rule, which confuses patent applicants, complicates patent prosecution, and misleads district court judges.

This Comment examines the evolution of inequitable conduct, the state of the law today, identifies the issues that arise from inequitable conduct defense and ethical implications that necessarily arise, and offers an analysis to address recent guideline revisions and some of the persistent problems found in inequitable conduct. Part II begins by surveying the history of inequitable conduct. Part III then examines the legal standard and the new amendments of inequitable conduct in the Federal Circuit today. Finally, Part IV offers my analysis and recommends resolutions to the persistent problems.

II. EARLY INEQUITABLE CONDUCT²⁵

To understand inequitable conduct today, it is useful to first consider how the standard has evolved. Legislatures have recognized inequitable conduct in statutory form since the Patent Act of 1790.²⁶ The 1790 statute allowed a private cause of action, filed within one year of issuance, to repeal a patent that was "obtained surreptitiously by or upon false suggestion."²⁷ The Patent Act of 1793 extended the period that such a lawsuit could be filed to three years.²⁸ In the Patent Act of 1836, Congress replaced the private cause of action with a defense against infringement that claimed the patent was obtained improperly.²⁹ The Consolidated Patent Act of 1870 broadened the defense and made it available against an issued patent that was procured by a deceptive application.³⁰ The current statute³¹ provides an alleged infringer a defense that the patent is unenforceable because there was a lack of candor or breach of a duty to disclose certain information during the prosecution

24. See 37 C.F.R. § 1.56 (1992).

25. For a comprehensive review of the history of inequitable conduct, see Goldman, *supra* note 11, at 37 et seq.

26. See Act of April 10, 1790, ch. 7, § 5, 1 stat. 109-112 (1790).

27. *Id.* at 111.

28. See Act of Feb. 21, 1793, ch. 11, § 10, 1 stat. 318-323 (1793).

29. See Patent Act of 1836, ch. 357, § 15, 5 stat. 117 (1836) (reinstating the examination of applications prior to granting patents).

30. See Consolidated Patent Act of 1870, ch. 230, § 61, 16 Stat. 198-209 (1870).

31. See 35 U.S.C. § 1 (1952) (enacted under the Patent Act of 1952, 66 Stat. 792 (July 19, 1952)).

of the patent.³²

Despite provisions in the patent statutes for a cause of action or a defense against infringement, the courts were reluctant to find that a patent was procured by fraud.³³ It was not until 1945 that the Supreme Court recognized that the public interest was damaged by patents that are procured by fraud.³⁴ The *Precision* Court stated that “[t]hose who have applications pending with the Patent Office or who are parties to Patent Office proceedings have an uncompromising duty to report to it all facts concerning possible fraud or inequitable conduct underlying the applications in issue.”³⁵ The Court justified its decision under the unclean hands doctrine.³⁶

Today, the two basic elements of inequitable conduct are materiality and intent. Inequitable conduct occurs when individuals associated with the filing or prosecution of a patent application breach a duty of candor to the PTO by intentionally not disclosing or misrepresenting disclosed material information.³⁷ Early cases addressing inequitable conduct, including those after the 1952 Patent Act, interpreted “materiality” to mean anticipatory prior art.³⁸ This standard, not surprisingly, was re-

32. See 35 U.S.C. § 282 (1994).

33. Early court decisions took an unfavorable view of the defense of inequitable conduct. In *Rubber Company v. Goodyear*, 76 U.S. (9 Wall.) 788 (1869), the Supreme Court construed the patent code as only allowing the government the standing to seek cancellation due to fraud and prohibited the use of the defense because the defendant was sued in the court of equity, not a court of law. See also *Mowry v. Whitney*, 81 U.S. (14 Wall.) 434 (1871); *Steinfur Patents Corp. v. J. Meyerson, Inc.*, 56 F.2d 372 (E.D.N.Y. 1931), modified by 62 F.2d 238 (2d Cir. 1932). It was not until 1870 that Congress made it clear that the defense of inequitable conduct is available in courts of law and equity. The Consolidation Patent Act of 1870, 16 Stat. 198-209 (today this provision is found in 35 U.S.C. § 282 (1994)); see also *United States v. American Bell Tel. Co.*, 128 U.S. 315 (1888) (Supreme Court recognizes defense in equity). It was not until *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240 (1933) (patent attained without disclosure of a prior use), that the Court began recognizing that a patent applicant's conduct may have an adverse effect on the public interest.

34. See *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945); cf. *Hazel-Atlas Co. v. Hartford Co.*, 322 U.S. 238 (1944) (discussing inequitable conduct in dictum).

35. *Precision*, 324 U.S. at 818.

36. See *id.* at 819. The unclean hands doctrine provides that one who seeks relief in equity must enter untainted by bad faith or inequitable conduct relative to matters for which relief is sought. See *id.* at 814-15; see also *supra* note 1 and accompanying text. Such misconduct does not need to give rise to criminal or civil liability, rather any willful conduct, related to the cause of action, that “transgress[es] equitable standards . . .” *Precision*, 324 U.S. at 815.

37. See 37 C.F.R. § 1.56 (1997).

38. See *Goldman*, *supra* note 11, at 56 (citing *Oglebay Norton Co. v. Universal Refractories Corp.*, 300 F. Supp. 1106 (E.D. Wis. 1969)); see, e.g., *United States v. Standard Elect. Time Co.*, 155 F. Supp. 949 (D. Mass. 1957).

laxed through later cases.³⁹ Accordingly, the standard for materiality evolved in the courts from considering only “anticipatory” prior art to information that pertains to the patentability of the claimed invention, including prior art that may render a patent “obvious” and other highly relevant information.⁴⁰

Similarly, the element of intent has undergone variable application by the courts. After *Precision*, courts were skeptical of evidentiary proof of intent solely based on an inference of fraudulent intent.⁴¹ In later cases, the courts considered “gross negligence” sufficient to satisfy the requisite element of intent.⁴² In 1982, the Federal Circuit was created⁴³ and initially endorsed the gross negligence standard;⁴⁴ however, the resulting frequency of the allegation of inequitable conduct was considered inauspicious and to be discouraged.⁴⁵ To discourage inauspicious use of inequitable conduct defenses, the Federal Circuit, in *FMC Corp. v. Manitowoc Co.*, began moving away from inferring intent under a gross negligence standard.⁴⁶ Today, gross negligence alone is not sufficient to infer intent to deceive, rather “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.”⁴⁷

39. See, e.g., *Penn Yan Boats, Inc. v. Sea Lark Boats, Inc.*, 479 F.2d 1328 (5th Cir. 1973); *Minnesota Mining & Mfg. Co. v. Norton Co.*, 426 F.2d 1117 (6th Cir. 1970); *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp.*, 407 F.2d 288 (9th Cir. 1961).

40. See *Goldman*, *supra* note 11, at 57-58.

41. See, e.g., *Martin v. Ford Alexander Corp.*, 160 F. Supp. 670 (S.D. Cal. 1958) (dismissing the defense despite having an affidavit in the file because a sufficient level of scierter was not met, in part because of “weasel words” in the affidavit).

42. See *Norton v. Curtiss*, 433 F.2d 779, 796 (C.C.P.A. 1970) (“Where public policy demands a complete and accurate disclosure it may suffice to show nothing more than that the misrepresentations were made in an atmosphere of gross negligence as to their truth.”).

43. Congress created the Federal Circuit in 1982 to replace any jurisdiction that the Court of Customs and Patent Appeals (C.C.P.A.), the Court of Claims, and circuit courts had over patent cases. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (Apr. 2, 1982). Accordingly, the Federal Circuit has exclusive jurisdiction over all appeals of patent cases and all appeals from the PTO, 28 U.S.C. § 1295 (1994), while the district courts maintain original and exclusive jurisdiction over patent cases, 28 U.S.C. § 1338 (1994). The purpose of creating a forum with jurisdiction over all patent cases was to provide uniformity in patent case decisions and to address the act of “shopping for a favorable venue.” See S. REP. NO. 97-275, at 15 (1981); H.R. REP. NO. 97-30, at 20-22 (1981).

44. The Federal Circuit considered the decisions of the C.C.P.A. and the Court of Claims as a “presumptively controlling standard.” See *South Corp. v. United States*, 690 F.2d 1368, 1370 (Fed. Cir. 1982).

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

46. 835 F.2d 1411, 1415 & n.9 (Fed. Cir. 1987).

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

III. THE LEGAL STANDARD TODAY

In part due to the Federal Circuit's softening of the legal standard in its early years,⁴⁸ the court was faced with an ever-increasing docket of appeals for inequitable conduct decisions sufficient to elicit disapproving dictum from several Federal Circuit judges. Senior Circuit Judge Nichols observed that "the habit of charging inequitable conduct in almost every major patent case has become an absolute plague."⁴⁹ Circuit Judge Lourie expounded that "[u]njustified accusations may deprive patentees of their earned property rights and impugn fellow professionals."⁵⁰ Chief Judge Markey stated that "'inequitable conduct' is not, or should not be, a magic incantation to be asserted against every patentee."⁵¹

In general, inequitable conduct occurs today when a person having the duty of candor fails "to disclose material information, or [submits] false information, with an intent to deceive. . . ."⁵² Such information is relevant to the patentability of the claimed invention and the conditions of patentability found in 35 U.S.C. §§ 102 and 103, including information pertaining to novelty, obviousness, and loss of right or statutory bars (*e.g.*, public use, on-sale activity). There is not, however, a duty to disclose all prior art or to conduct a prior art search,⁵³ but there is a duty to disclose what an individual knows.⁵⁴ When considering whether an invention is patentable or a patent is valid in an anticipation or obviousness context, knowledge of the prior art is not required.⁵⁵ Unlike antici-

1988) (en banc) (citation omitted).

48. See Goldman, *supra* note 11, at 85-86.

49. Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988); see *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995) (Circuit Judge Lourie stating "unjustified accusations . . . are offensive and unprofessional . . . [and] should be condemned.").

50. *Molins*, 48 F.3d at 1182.

51. *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987).

52. *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988) (en banc).

53. See *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1362 (Fed. Cir. 1984) (citation omitted).

54. See *Molins*, 48 F.3d at 1182.

55. To anticipate a claimed invention, the prior art may be patents or publications unknown to the applicant or patentee, 35 U.S.C. § 102(a), or secret prior art, 35 U.S.C. § 102(e), (g). When considering whether an application or patent is obvious, the applicant/patentee is presumed to know all analogous prior art. See *In re Antle*, 444 F.2d 1168, 1171 (C.C.P.A. 1971). Analogous prior art includes all prior art in the inventor's field of endeavor and prior art outside the inventor's field of endeavor that is reasonably pertinent to the particular problem at hand. See *id.* at 1171-72; *cf.* *International Cellucotton Prod. Co. v. Sterilek Co.*, 94

pation and obviousness prior art, the applicant is not presumed to know certain information; in fact, the court will consider a "good faith" excuse.⁵⁶ In general, the persons having the duty of candor are those associated with the prosecution of the patent application.⁵⁷ Specifically, Rule 56(c) provides that those having the duty of candor are "(1) [e]ach inventor named in the application; (2) [e]ach attorney or agent who prepares or prosecutes the application; and (3) [e]very other person who is substantively involved in the preparation or prosecution of the application and who is associated with the inventor, with the assignee or with anyone to whom there is an obligation to assign the application."⁵⁸

A. Test for Inequitable Conduct

The test for inequitable conduct is commonly broken down into two parts: first, threshold levels of materiality of the information omitted or misrepresented and intent to deceive the PTO must be met; second, after the threshold levels are met, the courts balance materiality and intent to determine whether inequitable conduct has occurred.⁵⁹ The party alleging inequitable conduct has the burden of establishing the minimum thresholds for materiality and intent.⁶⁰ "[P]roof [of inequitable conduct] may be rebutted by a showing that (a) the prior art . . . was not material, (b) . . . the applicant did not know of that art or information, (c) . . . the applicant did not know of its materiality, . . . (d) [nondisclosure did not intend] to mislead the PTO,"⁶¹ or (e) good faith on the part of persons having a duty under Rule 56(c).⁶² Materiality and intent

F.2d 10, 13 (2d Cir. 1938) ("[W]e must suppose the inventor to be endowed, as in fact no inventor is endowed; we are to impute to him knowledge of all that is not only in his immediate field, but in all fields nearly akin to that field."). The Federal Circuit explained that "[a] reference is reasonably pertinent if, even though it may be in a different field from that of the inventor's endeavor, it is one which, because of the matter with which it deals, logically would have commended itself to an inventor's attention in considering his problem." *In re Clay*, 966 F.2d 656, 659 (Fed. Cir. 1992).

56. See *FMC*, 835 F.2d at 1416; *Molins*, 48 F.3d at 1182. The situation where the references were in the possession of the applicant, but they did not "know" about them has been brought before the Federal Circuit.

57. See 37 C.F.R. § 1.56(c) (1997).

58. *Id.*

59. See *Baxter Int'l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1327 (Fed. Cir. 1998); *Molins*, 48 F.3d at 1178.

60. See *Molins*, 48 F.3d at 1178 ("One who alleges inequitable conduct arising from a failure to disclose prior art must offer clear and convincing proof of the materiality of the prior art, knowledge chargeable to the applicant of that prior art and of its materiality, and the applicant's failure to disclose the prior art, coupled with an intent to mislead the PTO.").

61. *FMC*, 835 F.2d at 1415.

62. See *Baxter Int'l*, 149 F.3d at 1330 ("[E]vidence of good faith must be considered in

are generally considered factual issues, but the ultimate determination of inequitable conduct is an equitable issue committed to the discretion of the trial court.⁶³

The test for inequitable conduct is a product of common law and legislation. The test is codified in the Rules and Regulations of the Department of Commerce, promulgated by the PTO, in 37 C.F.R. § 1.56—often referred to as “Rule 56.”⁶⁴

1. Materiality

The Federal Circuit has stated that several tests may be used in determining the minimum threshold of materiality,⁶⁵ but that PTO Rule 56 is the appropriate starting point.⁶⁶ Before 1992, materiality under Rule 56 required “a substantial likelihood that a *reasonable examiner* would consider it *important* in deciding whether to allow the application to issue as a patent.”⁶⁷ The Federal Circuit accepted this guideline by noting that it is meant to describe how an applicant ought to conduct business with the PTO.⁶⁸ Further, the court stated that “the pertinent inquiry [under the reasonable examiner standard] is not whether a reasonable

determining whether inequitable conduct has been shown by clear and convincing evidence. However, good faith is only one factor to be considered along with the totality of the evidence.” (citation omitted)).

63. See *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997); *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1439-40 (Fed. Cir. 1991).

64. See 37 C.F.R. § 1.56 (1998). Actually, Rule 56 was a “codification” of preexisting case law. See 42 Fed. Reg. 5588, 5593 (Jan. 28, 1977).

65. Historically, there have been four tests that establish the threshold of materiality: (1) objective “but-for”; (2) subjective “but-for”; (3) “but it may have been”; and (4) PTO Rule 56, 37 C.F.R. § 1.56 (1977). *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1362 (Fed. Cir. 1984). The “but-for” test provides the most objective and highest standard for materiality. The information is material if but-for its non-disclosure, the patent would not have issued. See generally PETER D. ROSENBERG, 2 PATENT LAW FUNDAMENTALS § 15.08[1][b][i], at 15-186 (1986) (“Under the ‘but for’ test, the alleged improper conduct does not render a patent invalid or unenforceable unless that conduct was the effective cause of the issuance of the patent. Stated in other words, the conduct must have been such that the patent would not have issued *but for* the complained-of acts.”).

66. See *Halliburton*, 925 F.2d at 1440; *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984); *American Hoist*, 725 F.2d at 1363.

67. 37 C.F.R. § 1.56(a) (1977) (emphasis added). This was the rule promulgated by the PTO and on the books between 1977 and 1992 and became known as the reasonable-examiner standard. The reasonable-examiner standard does not require that “but-for” the misconduct, the patent would not have issued. *American Hoist*, 725 F.2d at 1362-63. This standard received a variety of interpretations by the circuits, C.C.P.A., and Federal Circuit.

68. See *Critikon*, 120 F.3d at 1257; *Halliburton*, 925 F.2d at 1440; *American Hoist*, 725 F.2d at 1363.

examiner would want to be aware of a particular thing, but whether, after he was aware of it, he would 'consider it important' in deciding whether to reject one or more claims."⁶⁹ An objective standard of "reasonable" examiners and "importance" of prior art has led to significant discussion in judicial opinions and many law review articles. In 1992, the PTO amended Rule 56.⁷⁰ Revised Rule 56 abandons the reasonable-examiner materiality standard in favor of a prima facie unpatentability materiality standard.⁷¹ Although the Federal Circuit noted the PTO rule change, it has not yet provided a substantive review of the new standard, mostly because the rule is not retroactive,⁷² and patents subject to the new rule are not those currently in litigation.

In order to satisfy the duty of candor, material information must be disclosed to the PTO.⁷³ Material information required to be disclosed

69. *American Hoist*, 725 F.2d at 1362 n.2.

70. The amended, prima facie standard became effective on March 16, 1992. See 57 Fed. Reg. 2021, 2034 (Jan. 17, 1992).

71. The revised rule provides that unless information is cumulative to information already disclosed, the information is material to patentability if:

- (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.

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of the evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.

37 C.F.R. § 1.56(b) (1998).

72. Specifically, the court stated in a footnote that administrative rules are not considered retroactive unless the rule so states and therefore declined to comment. See *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1179 n.8 (Fed. Cir. 1995) (quoting *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988)). The PTO notice of final rule making states that the revised Rule 56 "will be applicable to all applicants and reexamination proceedings pending or filed after March 16, 1992." 57 Fed. Reg. 2021 (Jan. 17, 1992).

This standard is more narrow than the reasonable examiner standard; that is, there is less information that is considered material. See *infra* Part IV.A. The higher standard may reduce the amount of appeals by clarifying the test and making the claim or defense more difficult to establish.

73. Satisfaction of this duty does not require that the applicant search the prior art. See 37 C.F.R. § 1.97(g); MANUAL OF PATENT EXAMINING PROCEDURE § 609, at 600-103 (7th ed. 1998) (addressing 37 C.F.R. §§ 1.97, 1.98) ("[T]he filing of an information disclosure statement shall not be construed as a representation that a search has been made. There is no re-

includes:⁷⁴ (1) prior art references not known to the examiner;⁷⁵ (2) conduct relevant to statutory bars (*e.g.*, on-sale and public use);⁷⁶ (3) documents required by the PTO, submitted by the applicant, including data,⁷⁷ date of invention affidavit,⁷⁸ and enablement affidavit;⁷⁹ (4) references made immaterial by amendments or deletion of claims; and (5) foreign patent office search reports on a companion application (even though the claims may be different, the reference may still be material).⁸⁰ Material information is disclosed to the PTO in Information Disclosure Statements (IDS).⁸¹ A patentee has no obligation, however, to disclose a reference if it is cumulative or if it is less material than those already before the examiner.⁸² When considering whether references are cumulative or less material than other references, the Federal Circuit stated that a trial court "considers similarities and differences between prior art and the claims of the patent."⁸³ A reference is not considered

quirement that an applicant for a patent make a patentability search." (citation omitted)).

74. See generally 6 CHISUM, *supra* note 9, § 19.03[2].

75. See *Molins*, 48 F.3d at 1184-85.

76. *Paragon Podiatry Lab., Inc. v. KLM Lab., Inc.*, 984 F.2d 1182 (Fed. Cir. 1993); *La-Bounty Mfg., Inc. v. United States Int'l Trade Comm'n*, 958 F.2d 1066 (Fed. Cir. 1992).

77. See *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556 (Fed. Cir. 1983).

78. See *Timely Prod. Corp. v. Stanley Arron*, 523 F.2d 288 (Fed. Cir. 1975).

79. See *Norberg, Inc. v. Telsmith, Inc.*, 82 F.3d 394 (Fed. Cir. 1996).

80. See *Heidelberger Druckmaschinen AG v. Hantscho Commercial Prod., Inc.*, 21 F.3d 1068, 1072 (Fed. Cir. 1994).

81. An IDS is a mechanism which requires the PTO examiner to consider prior art known to the applicant. Information listed in an IDS that is considered by the PTO satisfies the applicant's burden. Filing of an IDS, however, "shall not be construed to be an admission that the information cited in the statement is, or is considered to be, material to patentability as defined in [Rule 56(b)]." 37 C.F.R. § 1.97(h) (1997). The PTO rules are designed to cause prompt and early disclosure. See generally *id.* § 1.97. The IDS must include a list of all patents, publications, or other information submitted for consideration by the PTO and a copy of each United States patent, foreign patent, and publication or portion that caused it to be listed. See *id.* § 1.98(a). If the document is not in English, a "concise explanation of the relevance, as it is presently understood by the individual designated in [Rule 56(c)] most knowledgeable about the content of the information . . ." See *id.* § 1.98(a)(3). Otherwise, the applicant is not required to provide any explanation of the relevance or reason for listing a document in the IDS.

82. See 37 C.F.R. § 1.56(b) (1997) (providing an exception to information that is "cumulative to information already of record or being made of record in the application"); see also *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1440, 1443 (Fed. Cir. 1991); accord *Litton Sys., Inc. v. Honeywell, Inc.*, 87 F.3d 1559, 1570 (Fed. Cir. 1996), *vacated on other grounds*, 520 U.S. 1111 (1997); *Molins*, 48 F.3d at 1182; *Scripps Clinic & Research Found. v. Genentech*, 927 F.2d 1565, 1582 (Fed. Cir. 1991).

83. *Halliburton*, 925 F.2d at 1441. Additionally, the "the trial court must consider portions of prior art references which teach away from the claimed invention." *Id.*

immaterial if it does not make a claim unpatentable.⁸⁴ Although undiscovered material information that is insufficient to render the invention unpatentable is not a defense to inequitable conduct,⁸⁵ “[t]here is no presumption that information not filed by an applicant was material simply because patentability ensued.”⁸⁶ Perhaps the most common source of knowledge of material references arises from foreign patent offices evaluating a similar patent and conducting prior art searches.⁸⁷

2. Intent⁸⁸

Inequitable conduct also requires the intent to deceive the PTO as to the patentability of the inventor.⁸⁹ The party asserting inequitable conduct must show by clear and convincing evidence that there was an intent to deceive the PTO.⁹⁰ Intent to deceive may be proven by direct evidence or inferred from circumstantial evidence.⁹¹ Because direct evidence is rarely found, inferences from surrounding circumstances gener-

84. See *Molins*, 48 F.3d at 1179; *Merck & Co. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1421 (Fed. Cir. 1989); *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1396 (Fed. Cir. 1986). References are important for novelty and nonobviousness reasons.

85. See *A.B. Dick*, 798 F.2d at 1399.

86. *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1365 (Fed. Cir. 1998).

87. See *Molins*, 48 F.3d at 1180 (quoting M.P.E.P. § 2001.06(a) (1981)).

88. Different areas of the law have interpreted intent in various ways. For instance, intent in a criminal law context may mean “[d]esign, resolve, or determination with which [a] person acts.” BLACK’S LAW DICTIONARY 810 (6th ed. 1990). Intent in tort law occurs where the “actor desires to cause the consequences of his act, or that he believes that the consequences are substantially certain to result from it.” RESTATEMENT (SECOND) OF TORTS § 8A (1965). Tortious intent is not dependent on the actor understanding that the intended consequences constitute a tort. See *Ranson v. Kitner*, 31 Ill. App. 241 (1889). And, when one has tortious intent, one is liable for unintended consequences as well as intended consequences. See *Pachucki v. Republic Ins. Co.*, 278 N.W.2d 898 (Wis. 1979). In criminal law, intent is given a related meaning. Common law criminal intent exists when one desires to cause the social harm or is acting “with knowledge that the social harm is virtually certain to occur as a result of his conduct.” JOSHUA DRESSLER, UNDERSTANDING CRIMINAL LAW § 10.04[A][1] (2d ed. 1995) (citing *Mill v. State*, 585 P.2d 546, 549 (Alaska 1978)). Also, under the Model Penal Code, purposefully, in a conduct or a result context, is a “conscious object to engage in conduct of that nature or to cause such a result.” MODEL PENAL CODE § 2.02(2)(a)(i) (1985).

89. See *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988). Prior to *Kingsdown*, the Federal Circuit allowed gross negligence to satisfy this element. See *id.* at 876; see also *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir. 1984).

90. See *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931 (Fed. Cir. 1990).

91. See *Molins*, 48 F.3d at 1182 (“Generally, intent must be inferred from the facts and circumstances surrounding the applicant’s conduct.”); see also *Paragon Podiatry Lab., Inc. v. KLM Lab., Inc.*, 984 F.2d 1182, 1189-90 (Fed. Cir. 1993). Moreover, direct evidence is rarely available. See *Merck & Co. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1422 (Fed. Cir. 1989).

ally must be drawn.⁹² Courts do, however, recognize limits to inferences.⁹³

In *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, the Federal Circuit, *en banc*, addressed the second element of inequitable conduct and issued a "Resolution of Conflicting Precedent," stating 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."⁹⁴ Although an applicant must have known or be chargeable with knowledge of the material information's existence "for it is impossible to disclose the unknown,"⁹⁵ the materiality of an undisclosed reference does not presume intent to deceive the PTO.⁹⁶ Thus, because the applicant must be chargeable with knowledge of the materiality of the material information, a court may not find intent solely on the basis that the applicant "should have known" of the materiality.⁹⁷ All the evi-

92. See *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997).

93. See *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1417 (Fed. Cir. 1987) ("An inference can and often must be drawn from established facts and direct proof of wrongful intent is not required, but drawing an inference on an inference on an inference is not the role of the fact finder.") (footnote omitted).

94. 863 F.2d 867, 876 (Fed. Cir. 1988) (citation omitted). *But cf.* *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538 (Fed. Cir. 1990) (affirming a district court's determination that inequitable conduct occurred where there was recklessness).

95. *FMC*, 835 F.2d at 1415.

96. See *Molins*, 48 F.3d at 1178; *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1440, 1442 (Fed. Cir. 1991); *Allen Organ Co. v. Kimball Int'l, Inc.*, 839 F.2d 1556, 1567 (Fed. Cir. 1988).

97. Gross negligence occurs "when a reasonable person 'should have known of the materiality of a withheld reference.'" *FMC*, 835 F.2d at 1414-15 n.9 (construing *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1560 (Fed. Cir. 1987)). Despite the resolution of conflicting precedent in *Kingsdown*, there is the possibility for confusion because of the "should have known" language used for materiality and intent standards. In *Nordberg*, the Federal Circuit explained that "should have known" is not the proper standard for determining knowledge of a prior art's *existence*, but is sometimes used to infer the patentee's knowledge of a known prior art's *materiality*. See *Nordberg, Inc. v. Telsmith, Inc.*, 82 F.3d 394, 397 (Fed. Cir. 1996). The court found that although the material prior art was owned by the patentee and a copy was found in the patentee's files, the district court properly determined that the individuals having a duty of disclosure were unaware of the patent in light of the facts that the files contained hundreds of patents and at the time, and the files were not searched during prosecution. Thus, knowledge of the materiality is closely related to the intent to deceive element. Because "gross negligence" alone is not sufficient to constitute intent, courts generally must rely on inferred conduct (known or should have known) and the surrounding circumstances (aggravating circumstances) to overcome the gross negligence "threshold." See, e.g., *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997) (finding

dence, including evidence of good faith, must be considered before finding deceptive intent.⁹⁸ Further, intent is not established where information is intentionally withheld from the PTO if the PTO actually considers the undisclosed prior art.⁹⁹

In sum, since *Kingsdown*, the Federal Circuit has required either an affirmative misrepresentation to the PTO, or a nondisclosure of information and an aggravating circumstance.¹⁰⁰ Although intent may no longer be established by gross negligence,¹⁰¹ "negligent conduct . . . support[s] an inference of intent only when, 'viewed in light of all the evidence, including evidence indicative of good faith,' the conduct is culpable enough to require a finding of intent to deceive."¹⁰²

3. Weighing of Materiality and Intent

After the threshold levels of materiality and intent are established, "the [trial] court must weigh them to determine whether the equities warrant a conclusion that inequitable conduct occurred."¹⁰³ Furthermore, courts must consider "the involved conduct 'in light of all the evidence' and must then determine whether that conduct in its totality manifests a sufficiently culpable state of mind to warrant a determination that it was inequitable."¹⁰⁴ A high level of materiality or intent may offset a low level of the other.¹⁰⁵

that Critikon knew of the prior art reference, knew or should have known of its materiality, did not provide a good faith explanation for not disclosing it, and did not disclose relevant information to the PTO in a reissue proceeding). Accordingly, although "[t]here is no presumption that information not filed by an applicant was material simply because patentability ensued[,] . . . [d]eceptive intent is not inferred simply because information was in existence that was not presented to the examiner." *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1365 (Fed. Cir. 1998).

98. See *Kingsdown*, 863 F.2d at 876.

99. See *Litton Sys. Inc. v. Honeywell, Inc.*, 87 F.3d 1559, 1571 (Fed. Cir. 1996), *vacated on other grounds*, 520 U.S. 1111 (1997); *Molins*, 48 F.3d at 1185; *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1582 (Fed. Cir. 1991).

100. See *Goldman*, *supra* note 11, at 84.

101. See *Kingsdown*, 863 F.2d at 876. "Gross negligence cannot elevate itself by its figurative boot-straps to an intent to mislead based on the identical factors used to establish gross negligence in the first instance unless all the facts and circumstances indicate sufficient culpability." *Halliburton*, 925 F.2d at 1443.

102. *Halliburton*, 925 F.2d at 1443 (quoting *Kingsdown*, 863 F.2d at 876).

103. *Molins*, 48 F.3d at 1178 ("In light of all the circumstances, an equitable judgment must be made concerning whether the applicant's conduct is so culpable that the patent should not be enforced."); *J.P. Stevens*, 747 F.2d at 1559-60.

104. *Molins*, 48 F.3d at 1181 (citation omitted) (quoting *Consolidated Aluminum Corp. v. Fosco Int'l, Ltd.*, 910 F.2d 804, 809 (Fed. Cir. 1990)).

105. See *Halliburton*, 925 F.2d at 1439 ("The more material the omission or misrepresent-

Moreover, “[i]ntent to deceive should be determined in light of the realities of patent practice, and not as a matter of strict liability whatever the nature of the action before the PTO.”¹⁰⁶ “A patentee’s oversights are easily magnified out of proportion by one accused of infringement”¹⁰⁷ In other words, the courts are to decide inequitable conduct on a “totality of the circumstances” standard after threshold levels of intent and materiality are established.¹⁰⁸

B. Standard of Review

The Federal Circuit has attempted to address the problems of inequitable conduct by granting greater deference to the trial court which would then be reviewed under an abuse of discretion standard.¹⁰⁹ The Federal Circuit’s heightened, and uncharacteristic,¹¹⁰ deference to a trial court’s determinations regarding inequitable conduct,¹¹¹ and the subsequent review under an abuse of discretion standard, is intended to curb appeals from a trial court’s decision on an inequitable conduct issue.¹¹² Previously, inequitable conduct was considered a question of law and reviewed de novo,¹¹³ which led to frequent appeals on an issue that was

tation, the less intent required and vice versa”), *accord* Akron Polymer Container Corp. v. Exxel Container, Inc., 148 F.3d 1380, 1383 (Fed. Cir. 1998); *Litton*, 87 F.3d at 1570; *FMC*, 835 F.2d at 1416; *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir. 1984).

106. *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 939 (Fed. Cir. 1991) (citation omitted).

107. *Id.* (quoting *Pfizer, Inc. v. International Rectifier Corp.*, 538 F.2d 180, 196 (8th Cir. 1976)); *see also Molins*, 48 F.3d at 1182.

108. *Nobelpharma AB v. Implant Innovations, Inc.*, 129 F.3d 1463, 1474 (Fed. Cir. 1997).

109. *See* Goldman, *supra* note 11, at 86-87 (construing *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988)).

110. The Federal Circuit applies significantly less deference than most other district courts’ determinations. *See In re Zurko*, 142 F.3d 1447, 1449 (Fed. Cir. 1998); *see generally* Craig A. Nard, *Deference, Defiance, and the Useful Arts*, 56 OHIO ST. L.J. 1415 (1995).

111. *See, e.g., Key Pharmaceuticals v. Hercon Laboratories Corp.*, 161 F.3d 709, 719 (Fed. Cir. 1998) (explaining that the trial court’s determination on intent was not clearly erroneous because “the finding on intent in particular depend[s] heavily on the presentation of evidence and witness testimony at trial. The trial court [is] able to hear these matters first hand and assess witness credibility.”).

112. *See* Goldman, *supra* note 11, at 86-87 (construing *Kingsdown*, 863 F.2d at 876).

113. *See* J.P. Stevens & Co. v. Lex Tex Ltd., 747 F.2d 1553, 1562 (Fed. Cir. 1987) (“Materiality and intent are factual issues subject to the clearly erroneous standard,” but whether inequitable conduct occurred is determined as a matter of law. (citation omitted)); *American Hoist*, 725 F.2d at 1364. Today, under the abuse of discretion standard, “the appellant must establish that the ruling is based upon clearly erroneous findings of fact or a misapplication of applicable law, or that the ruling evidences a clear error of judgment.” *See Kingsdown*, 863 F.2d at 876; *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995).

rarely proven and may be seen as attempts to smear the otherwise good faith conduct of an inventor or attorney.

Under the current standard, materiality and intent remain factual threshold issues, which must be proved by clear and convincing evidence by the party asserting inequitable conduct.¹¹⁴ The Federal Circuit reviews these underlying factual issues for clear error.¹¹⁵ The court's ultimate determination of inequitable conduct is not a question of law,¹¹⁶ but reviewed under the abuse of discretion standard.¹¹⁷ Thus, the appellant must demonstrate that "the ruling is based upon clearly erroneous findings of fact or a misapplication or misinterpretation of applicable law or that the ruling evidences a clear error of judgment."¹¹⁸

C. Effect of Inequitable Conduct

The effect of a finding of inequitable conduct on a patent or a patent application is quite severe.¹¹⁹ Inequitable conduct renders the entire patent unenforceable.¹²⁰ Unenforceability applies to claims affected by

114. See *B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, 72 F.3d 1577, 1584 (Fed. Cir. 1996).

115. See FED. R. CIV. P. 52(a) (1998); *ATD Corp. v. Lydall, Inc.*, 159 F.3d 534, 547 (Fed. Cir. 1998).

116. See *Kingsdown*, 863 F.2d at 876. If inequitable conduct were a question of law, it would receive plenary review. Such review would further increase the appeals of inequitable conduct determinations because parties receiving the unfavorable decision would have a second chance to argue the record on de novo review.

117. See *Molins*, 48 F.3d at 1178.

118. *Kingsdown*, 863 F.2d at 876 (quoting *PPG Indus. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565, 1572 (Fed. Cir. 1988)); *Molins*, 48 F.3d at 1182.

119. See *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1383 (Fed. Cir. 1998) ("Although the conduct giving rise to judgments of unenforceability . . . occurs before the examiner, *the offense deserves its penalty because the processes of the PTO have been transgressed.*" (emphasis added)).

120. See *J.P. Stevens*, 747 F.2d at 1561 (addressing the issue of invalidity versus unenforceability and noted that "[i]t is an all or nothing proposition" (citation omitted)); *Kingsdown*, 863 F.2d at 877. Prior to *J.P. Stevens*, there was confusion as to whether inequitable conduct made an issued patent invalid or unenforceable. Compare *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542 (Fed. Cir. 1983) (affirming a holding of not enforceable due to fraud, but added that inequitable conduct does not encompass the test for a Walker Process type of claim), with *Rohm and Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1573 (Fed. Cir. 1983). Further, the Supreme Court in *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806 (1945), discussed inequitable conduct in terms of enforceability. However, in *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965), the Supreme Court discussed fraud in terms of invalidity. Such distinction led to two defenses where "fraud" rendered the patent invalid and inequitable conduct rendered the patent unenforceable. *J.P. Stevens*, 747 F.2d at 1560 (construing *Timely Prod. Corp. v. Stanley Arron*, 523 F.2d 288, 297 (2d Cir. 1975)); *In re Multidistrict Litig. Involving Frost Patent*, 398 F. Supp. 1353, 1367-68 (D. Del. 1975). "Walker Process claims" apply to antitrust coun-

the inequitable conduct as well as unrelated claims. Therefore, even if inequitable conduct can be attributed to only one claim and the patent contains multiple claims, every claim is unenforceable despite being otherwise equitably attained. Also, an accused infringer that successfully raises an inequitable conduct defense may be awarded attorney fees.¹²¹

In addition to rendering the entire patent unenforceable, other patents related to the unenforceable patent may also be unenforceable under the doctrine of unclean hands.¹²² The doctrine of unclean hands is a "self-imposed ordinance that closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief, however improper . . . the behavior of the defendant,"¹²³ and applies "where some unconscionable act of one coming for relief has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation."¹²⁴ As the court in *Consolidated Aluminum* stated, "he who comes into equity must come with clean hands in determining whether inequitable conduct in procuring one patent-in-suit requires a holding that the other patents-in-suit are unenforceable."¹²⁵ Thus, when inequitable conduct regarding one patent permeates the prosecution of related patents, they may all be rendered unenforceable.¹²⁶ However, in the case where the PTO imposes a restriction re-

terclaims. See *supra* note 5.

121. See *Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473, 1480 (Fed. Cir. 1998). Generally, attorney fees are awarded under 35 U.S.C. § 285, which provides in part: "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (1994). Case law has developed requirements necessary for an award of fees under 35 U.S.C. § 285: "(1) the case must be exceptional, (2) the district court may exercise its discretion, (3) the fees must be reasonable, and (4) the fees may be awarded only to the prevailing party." *Gentry*, 135 F.3d at 1480 (citation omitted) (stating "[w]hen a plaintiff succeeds only in overcoming a defense raised to the claims it sought in bringing suit, the plaintiff is not 'the prevailing party.'").

122. See *Molins*, 48 F.3d at 1182; *Consolidated Aluminum Corp. v. Foseco Int'l, Ltd.*, 910 F.2d 804, 809 (Fed. Cir. 1990).

123. *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 814 (1945).

124. *Consolidated Aluminum*, 910 F.2d at 810 (quoting *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 245 (1933)).

125. 910 F.2d at 809.

126. See, e.g., *id.* at 1810 (explaining that rendering related patents unenforceable because of unclean hands may be appropriate where "there is more than mere relatedness of subject matter; [for example,] the prosecution histories of the patents-in-suit establish that [the patentee's] inequitable conduct in prosecuting the . . . patent had [an] immediate and necessary relation to the equity [the patentee] seeks, namely the enforcement of [the related] patents.").

quirement, and untainted claims are separated from claims tainted by inequitable conduct and subsequently issue a divisional patent,¹²⁷ the issued patent is not also unenforceable due to inequitable conduct committed in the parent application if “the issued claims have no relation to the omitted prior art.”¹²⁸

D. Categories of Information Giving Rise to Potential Inequitable Conduct Claims and Defenses

There are several circumstances that can give rise to inequitable conduct issues. First, inequitable conduct may occur where those having the duty of candor fail to disclose known prior art, including patents or printed publications.¹²⁹

Second, inequitable conduct may occur when an applicant buries material information in a list of immaterial information that is submitted or represented to the PTO as a disclosure of relevant information.¹³⁰ “Burial” allegations may sometimes be avoided by explaining the relevance of disclosed information to the examiner; however, such extra communication regarding the prior art may later be used in a prosecution history estoppel defense.¹³¹ Today, it is not necessary for the patent

127. A restriction requirement occurs when the examiner determines that more than one invention has been claimed. The statutory basis is found in the patent code. *See* 35 U.S.C. § 101 (“Whoever invents or discovers . . . may obtain a patent therefore . . .”) (emphasis added); *id.* § 121. If an applicant claims “two or more independent and distinct inventions,” the PTO can require the applicant to restrict the application to one invention or a subset of the inventions. 35 U.S.C.S. § 121. *See* IRAH H. DONNER, PATENT PROSECUTION: PRACTICE & PROCEDURE BEFORE THE U.S. PATENT OFFICE 686 (1996). After the restriction requirement, the applicant must “elect” the claims in the original application for continued prosecution. *See id.* Then, the claims of the non-elected inventions are canceled and may be resubmitted in a subsequent divisional application. The policy rationale is that the fee is for only one invention. There are several bases for restriction, including: “each distinct invention has a separate classification in the [PTO] patent classification system; . . . each distinct invention has a separate status in the art; . . . or a different field of search is necessary for each distinct invention.” *Id.* at 687.

128. *See* *Baxter Int’l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1332 (Fed. Cir. 1998) (“The [patent containing the untainted claims] is not unenforceable due to inequitable conduct merely because its claims were improperly included in an application with other patentable inventions that were ultimately held unenforceable for inequitable conduct.”). In *Baxter Int’l*, the omitted references were material to the parent application, but were not antecedents to the claims that later issued from a divisional application because the claimed invention in the divisional patent “should never have been included in the [parent application] in the first place.” *Id.*

129. *See* *B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, 72 F.3d 1577, 1584 (Fed. Cir. 1996).

130. *See* *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1183 (Fed. Cir. 1995).

131. Prosecution history estoppel, or “file wrapper estoppel,” is a defense to infringe-

applicant to state the relevance of disclosed prior art.¹³² However, where material information is hidden amongst immaterial information, the court becomes suspicious and may find that inequitable conduct occurred.¹³³

Third, and perhaps the most obvious example of breaching the duty of candor owed to the PTO, inequitable conduct may occur by submitting false or misleading affidavits.¹³⁴ Often, patent applicants submit affidavits in support of their application. Affidavits are sworn statements that contain factual and opinion evidence concerning the patentability of their invention. The Federal Circuit applies greater scrutiny to affidavits because intent is bolstered by the affirmative act of submitting the affidavit, and materiality is inherent even if it is cumulative.¹³⁵

Finally, failure to disclose public use or on-sale activity may constitute inequitable conduct.¹³⁶

IV. ANALYSIS

A. *The Higher Materiality Standard in Revised Rule 56*

Because the revised PTO standard for inequitable conduct is retroactive, it has not yet received substantive application by the Federal Circuit.¹³⁷ The courts should welcome the new standard for inequitable conduct, which offers a narrower standard. Making the standard for rendering a patent unenforceable for inequitable conduct more difficult

ment by equivalency where the patentee makes statements or admissions during patent prosecution that limits the scope of a claim. By explaining the relevance of a disclosed prior art, the applicant, arguably, is stating what his invention is not. Previously, the Manual of Patent Examining Procedure (M.P.E.P.) provided that failure to state the relevance of a disclosed prior art may be a breach of the duty to disclose. See M.P.E.P. § 2002.03 (Apr. 1980).

132. See 37 C.F.R. § 1.98 (1997).

133. See *Molins*, 48 F.3d at 1183-84.

134. See generally *Paragon Podiatry Lab., Inc. v. KLM Lab., Inc.*, 984 F.2d 1182, 1190-91 (Fed. Cir. 1993).

135. See *Refac Int'l, Ltd. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1582-83 (Fed. Cir. 1996). Affidavits can give rise to many types of inequitable conduct, including failure to disclose known material facts, see *Hoffman-La Roche v. Lemmon Co.*, 906 F.2d 684 (Fed. Cir. 1990); omission of relevant unfavorable test data, see *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556 (Fed. Cir. 1983); misrepresenting the state of the art at the filing date, see *B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, 72 F.3d 1577 (Fed. Cir. 1996); and misrepresenting commercial success, see *Minnesota Mining & Mfg. Co. v. Johnson & Johnson, Inc.*, 976 F.2d 1559 (Fed. Cir. 1992).

136. Public use and on-sale activity give rise to novelty and loss of right issues, which precludes the grant of a patent. See 35 U.S.C. § 102(a)-(b).

137. See *Molins*, 48 F.3d at 1179 n.8 (citation omitted).

to meet has several benefits. First, a higher standard will discourage some of the frivolous claims of inequitable conduct because clients would be less inclined to pay for defenses that have no chance of succeeding. Second, raising the standard may make the inequitable decisions more uniform because a higher standard would ensure that only viable allegations of inequitable conduct are raised.

The most direct way to raise the standard for materiality would be for the courts to adopt the revised Rule 56 and its narrow implications.¹³⁸ The revised rule replaces the “reasonable examiner” standard with a “prima facie” standard. Specifically, Rule 56 provides in part:

(b) 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.

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.¹³⁹

This standard requires a higher degree of materiality than merely re-

138. See 37 C.F.R. § 1.56 (1997).

139. *Id.* In the Notice of Final Rule making, the PTO stated that

Section 1.56 [Rule 56] has been amended to present a clearer and more objective definition of what information the [PTO] considers material to patentability. The rules do not define fraud or inequitable conduct which have elements both of materiality and of intent. The [PTO] does not advocate any change to the *Kingsdown* ruling.

Duty of Disclosure, 57 Fed. Reg. 2021, 2024 (Jan. 17, 1992). The *Kingsdown* ruling resolved the conflicting precedent on the intent element. See *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876-77 (Fed. Cir. 1988). Accordingly, by implication the PTO promulgated the revised Rule 56 to advocate changes to the element of materiality.

quiring that a reasonable examiner would consider certain evidence important.

The phrase "not cumulative" has its roots in case law.¹⁴⁰ Accordingly, this adds little to the previous standard.

Inequitable conduct, then, is established where noncumulative information renders a claim unpatentable by violating a condition of patentability found in 35 U.S.C. §§ 102 and 103.¹⁴¹ Alternatively, inequitable conduct is established by undisclosed, noncumulative information that, although does not render the claim unpatentable, *refutes* or is *inconsistent* with a position the patentee had taken in opposing a PTO argument of unpatentability or in asserting an argument of patentability.

The latter alternative should be interpreted to simply codify the proposition that an affirmative assertion that is an argument for, or a defense of, patentability, which misrepresents certain facts, is a breach of the duty of candor. The *de minimis* requirement, arguably, is inconsistency; that is, if one agrees that "inconsistent" information is easier to establish than information that "refutes."¹⁴² "Inconsistency" means "[m]utually repugnant or contradictory."¹⁴³ Such an inconsistency may arise while opposing a PTO argument of unpatentability or while asserting an argument of patentability during prosecution. Thus, because initial application itself is an argument of patentability, the revised standard provides that there may be inequitable conduct if there is inconsistent information that is material.

The fact that "inconsistent information" must be actually known to the applicant may seem to set a low standard, but the fact that it is relevant to a position taken while opposing an argument of unpatentability or asserting an argument of patentability actually bootstraps the standard into merely establishing misrepresentation. Thus, the revised language of inconsistent information does not appear to add anything to the previous test. Both tests would find that information is material that is known to an applicant and is not disclosed, but the contrary is stated. Further, courts uniformly find inequitable conduct when the patentee actually lies to the PTO.¹⁴⁴

140. See *Molins*, 48 F.3d at 1185; *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1582 (Fed. Cir. 1991).

141. For example, the information anticipates the claimed invention or renders it obvious. See 35 U.S.C. §§ 102, 103 (1994).

142. See 37 C.F.R. § 1.56 (1997).

143. BLACK'S LAW DICTIONARY 766 (6th ed. 1990).

144. See, e.g., *Precision Instrument Mfg. Co. v. Automatic Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945); *Corning Glass Works v. Anchor Hocking Glass Corp.*, 253 F. Supp. 461,

The significant addition to the revised Rule is the *prima facie* unpatentability element. Rule 56 now provides that *prima facie* unpatentability exists when the undisclosed information, alone or considered in light of other disclosed or undisclosed information, compels a conclusion of unpatentability when considered on the evidentiary preponderance of the evidence standard.¹⁴⁵ Put another way, *prima facie* materiality occurs where information, more likely than not, compels a conclusion that a claim is unpatentable. Further, the Rule states that *prima facie* unpatentability is determined without considering extrinsic evidence and by construing a claim broadly and consistent with the specification.¹⁴⁶ Also, the information may, by itself or “in combination with other information,” constitute *prima facie* unpatentability.¹⁴⁷ There is no requirement that the information combined with the tainted information must also be material.

Accordingly, the new standard finds materiality in affirmative misrepresentations or information that more likely than not renders a patent invalid due to obviousness¹⁴⁸ or anticipation.¹⁴⁹ Compared to the previous standard, the threshold level of materiality is higher. Previously, materiality merely required a substantial likelihood that a reasonable examiner would have considered the information important when deciding whether to grant a patent.¹⁵⁰ The precise quantum of sufficiency of the evidence required under the old standard was not identified on a continuum. However, preponderance of the evidence is widely known to represent more likely than not, or more than fifty percent.

The reasonable examiner standard is ambiguous and susceptible to varied interpretations among district courts. The trend in patent law has been to impose uniformity, fairness, and early certainty, in all aspects of patent law. The revised standard does not quite constitute a “but-for” test, but it is certainly an upward movement of the minimum threshold requirement.

The new standard may work to instill uniformity and earlier certainty, but fairness is left wanting. By raising the minimum standard for materiality, the net for inequitable conduct, theoretically, encompasses

469-70 (D. Del. 1966), *rev'd on other grounds*, 374 F.2d 473 (3d Cir. 1967).

145. See 37 C.F.R. § 1.56(b) (1997).

146. See *id.*

147. *Id.*

148. See 35 U.S.C. § 103 (1994); see also CHISUM, *supra* note 9.

149. See 35 U.S.C. § 102 (1994); see also CHISUM, *supra* note 9.

150. See 37 C.F.R. § 1.56 (1977); see also *Refac Int'l, Ltd. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1581 (Fed. Cir. 1996).

less.

What happens when less is required to be disclosed? Naturally, less will be disclosed. Less disclosure is not good. Not only will there be additional good faith non-disclosures, but there will be additional bad faith non-disclosures. By bad faith non-disclosures I mean those applicants who chose to operate on the edge of proper conduct. Also, the maxim "when in doubt, disclose it"¹⁵¹ may be rendered extinct if patentees are given a bright line that they can argue instead of a general disclosure of possibly relevant information mandate.

On the other hand, one could argue that the increased level of materiality may serve to decrease the occurrence of inequitable conduct defenses. This result, however, is doubtful. Unless there is significant revision to inequitable conduct as a whole, it will remain as a checklist defense that is only satisfied by contorting facts to satisfy a reasonable inquiry.¹⁵² Perhaps one method of decreasing the propensity of the inequitable conduct defense is to make sanctions more available. Such sanctions may include monetary awards, costs and attorney fees, or perhaps prejudicial dismissal.

If the standard for materiality was to truly be heightened, there were other, less attractive possible revisions that could have been implemented. One way was to replace the "reasonable-examiner" standard with a but-for test. Such a test would provide that but-for the patent applicant's misrepresentation or purposeful omission, the patent would not have issued.¹⁵³ A but-for test has been considered an appropriate standard, but the courts consider Rule 56 to be an appropriate starting place when making an inequitable conduct inquiry.¹⁵⁴ Indeed, Rule 56 has also been the ending place for materiality inquiries; courts are satisfied with a conclusion based on minimum thresholds for materiality and intent and a balance test.

A standard with the same effect as a but-for test could be attained by requiring the party claiming inequitable conduct to establish, in essence,

151. *LaBounty Mfg., Inc. v. United States Int'l Trade Comm'n*, 958 F.2d 1066, 1076 (Fed. Cir. 1992).

152. See FED. R. CIV. P. 11(b) ("By presenting to the court (whether by signing, filing, submitting, or later advocating) a pleading, written motion, or other paper, an attorney or unrepresented party is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances . . .").

153. See ROSENBERG, *supra* note 65.

154. See *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1987) (citing *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir. 1984)).

common law fraud on the PTO.¹⁵⁵ This approach would include proving that the PTO relied on the correctness of submitted information and that the applicant disclosed all known material information.¹⁵⁶ However, the courts have observed that the standard for inequitable conduct is lower than that for common law fraud, which requires reliance on the misrepresentation.¹⁵⁷ The rationale for not requiring reliance is uncertain, but it may be because of the monopoly that is granted to the patentee.

Although adoption of a reliance element in inequitable conduct may seem to produce the same results as a but-for test, they are, in fact, markedly different. To satisfy a but-for test, one would have to prove that the claimed invention is unpatentable.¹⁵⁸ If the claimed invention may be shown to be unpatentable, there is little benefit in proving the extra elements for inequitable conduct, except to render the entire patent unenforceable, recover attorney's fees, or to have sanctions employed against the adverse party. Accordingly, a reliance requirement is a higher standard than the reasonable-examiner test but not as extreme as but-for.

Reliance may occur where the PTO was misdirected about material references or distracted from material references; the applicant actually deceived the examiner or otherwise affected the examination process; or the applicant failed to provide a complete disclosure of known prior art. Reliance does not require that the true information would have led to a finding of unpatentability, only that the PTO accepted the representation as true and acted on its belief.¹⁵⁹

155. The elements of common law fraud generally take the form of four elements: (1) misrepresentation of a material fact; (2) intent to deceive or a state of mind so reckless as to be the equivalent of scienter; (3) justifiable reliance on the misrepresentation; and (4) reliance on the misrepresentation caused injury. *See Norton v. Curtiss*, 433 F.2d 779, 793 (C.C.P.A. 1970).

156. Reliance may not be difficult to prove. When an Information Disclosure Statement is timely filed, the examiner must consider each of the disclosed references before determining patentability. *See* 37 C.F.R. § 1.97 (1997) (providing that "[a]n information disclosure statement shall be considered by the [PTO] if filed [according to timing dependant filing requirements]").

157. *See J.P. Stevens*, 747 F.2d at 1559.

158. *See ROSENBERG*, *supra* note 65.

159. Reliance may be defined as "a belief which motivates an act;" whereas, in the tort of deceit, reliance may be found where a misrepresentation is a substantial factor in another's decision or conduct. BLACK'S LAW DICTIONARY 1291 (6th ed. 1990).

B. Deference to the District Court

The Federal Circuit should continue to give significant deference to the district court's decision on inequitable conduct. Greater deference creates earlier certainty in the enforceability of the patent.

Earlier certainty is good for society, the patentee, and the alleged infringer. Society benefits by being able to rely on patents as a boundary of protection, having confidence of what is and is not in the public domain; this encourages benchmarks to competitors to design around and therefore increase innovation. By the time a lawsuit reaches the courts, there has likely been substantial investment by the parties in research and development and legal fees. Also, early certainty prevents the waste of resources spent when litigating inequitable conduct, and allows greater innovation. Early certainty is also beneficial to the patentee and the alleged infringer because it may end litigation sooner or encourage a settlement.

Also, greater deference to the trial court is in accord with the accepted understanding that the trial court is in a better position to judge the credibility of the parties and testimony. This deference is significant because many issues of inequitable conduct, particularly intent, will turn on credibility.

Although the standard of review is an abuse of discretion standard,¹⁶⁰ the actual deference given varies from case to case based on whether the district court held that there was inequitable conduct. The Federal Circuit, perhaps to discourage frivolous inequitable conduct defenses, applies less deference when the district court determines that there was inequitable conduct.

C. Attorney-Client Confidentiality Conflict

Additional unresolved issues of inequitable conduct involve the ethical implications of nondisclosure of information known by the attorney or nondisclosure by the client known by the attorney.¹⁶¹ Two significant ethical issues that arise in this context are disclosure of confidential information and client perjury known to the attorney. Both pose significant ethical dilemmas for patent attorneys and leave little remedial options.¹⁶²

160. See *supra* Part III.B.

161. See, e.g., *Inequitable Conduct in Patent Procurement*, *supra* note 17, at 301-02.

162. The patent statutes provide that the PTO may promulgate its own rules of legal ethics and professional responsibility. See 35 U.S.C. § 31 (1994) ("The Commissioner, subject to the approval of the Secretary of Commerce, may prescribe regulations governing the rec-

First, similar to the American Bar Association Model Rules of Professional Conduct (hereinafter "Model Rules"),¹⁶³ Canon 4 of the PTO Code of Professional Responsibility provides that "[a] practitioner should preserve the confidences and secrets of a client."¹⁶⁴ An attorney would not appear to be free to disclose confidential information of one client that relates to the patentability of a claimed invention by a second client. Thus, an attorney having a duty under Rule 56(c) to two unrelated clients is ethically precluded from disclosing, without consent, confidential information of the first client during prosecution of the second client's application even if it would render the second client's invention unpatentable.

In *Molins PLC v. Textron, Inc.*, the defendants asserted, inter alia, that the patent was unenforceable because of inequitable conduct on the grounds that the attorney failed to disclose invalidating prior art from a co-pending, unrelated patent application and prosecution.¹⁶⁵ The court

ognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Patent and Trademark Office . . ."). The PTO has promulgated Canons and Disciplinary Rules in the PTO Code of Professional Responsibility. See generally 37 C.F.R. §§ 10.40-10.112 (1998).

163. The Model Rules address, inter alia, attorney-client confidentiality of information, and provides that "[a] lawyer shall not reveal information relating to representation of a client unless the client consents after consultation, except for disclosures that are impliedly authorized in order to carry out the representation." MODEL RULES OF PROFESSIONAL CONDUCT Rule 1.6(a) (1995) [hereinafter MODEL RULES]; *id.* at Preamble ("A lawyer should keep in confidence information relating to representation of a client except so far as disclosure is required or permitted by the Rules of Professional Conduct or other law.").

164. 37 C.F.R. § 10.56 (1998). The complementary disciplinary rule provides for the preservation of confidences and secrets of a client:

Except when permitted under paragraph (c) of this section, a practitioner shall not knowingly: (1) Reveal a confidence or secret of a client. (2) Use a confidence or secret of a client to the disadvantage of the client. . . . (c) A practitioner may reveal: (1) Confidences or secrets with the consent of the client affected but only after a full disclosure to the client. (2) Confidences or secrets when permitted under Disciplinary Rules or required by law or court order. (3) The intention of a client to commit a crime and the information necessary to prevent the crime.

37 C.F.R. § 10.57(b) (1998). "'Confidence' refers to information protected by the attorney-client or agent-client privilege under applicable law. 'Secret' refers to other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarrassing or would be likely to be detrimental to the client." *Id.* § 10.57(a).

165. See *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1185-86 (Fed. Cir. 1995); see also Todd M. Becker, *Attorney-Client Privilege Versus the PTO's Duty of Candor: Resolving the Clash in Simultaneous Patent Representations*, 71 WASH. L. REV. 1035 (1996) (arguing that the attorney-client privilege should override the duty of candor in concurrent representa-

recognized that the dual representation created a "possible conflict of interest" because one client's interest could be sacrificed for the other at the same time committing inequitable conduct.¹⁶⁶ The Federal Circuit avoided resolving the issue by asserting that the undisclosed reference was merely cumulative.¹⁶⁷ In dissent, however, Judge Nies argued that the attorney's "representation of clients with conflicting interests provides no justification for deceiving the PTO."¹⁶⁸

Judge Newman, in a concurrence, disagreed with the dissent's assertion that there may have been a duty to disclose.¹⁶⁹ Specifically, Judge Newman stated that the attorney's "obligation to preserve the confidentiality of his client . . . was absolute. [The attorney] had neither authority nor obligation to breach the confidentiality of that client's pending application, on behalf of a different client."¹⁷⁰ Judge Newman agreed with the majority's finding that the reference was cumulative, but stressed that regulations do not override client confidentiality.¹⁷¹

The second ethical dilemma that a patent attorney may face is inequitable conduct by the client. An attorney aware of a client's inequitable conduct may have a duty to disclose the breach of the client's duty of candor. During prosecution of an application, an applicant must file an oath or declaration, and might file affidavits.¹⁷² If the attorney has knowledge of misrepresentations tantamount to inequitable conduct

tions); *Inequitable Conduct in Patent Procurement*, *supra* note 17, at 301-02.

166. *Molins*, 48 F.3d at 1185.

167. *See id.*

168. *Id.* at 1190 (Nies, J., dissenting).

169. *See id.* at 1193 n.1 (Newman, J., concurring).

170. *Id.* at 1192.

171. *See id.* at 1193. Judge Newman construed the M.P.E.P. § 2001.06(b) to require the applicant to disclose copending applications owned by the same applicant, but not an unrelated client's copending application. *See id.* at 1192 (stating that M.P.E.P. § 2001.06(b) "requires an applicant, and his or her attorney, to bring to the attention of the examiner information 'as to other copending United States applications which are 'material to patentability' of the application in question.'" (citation omitted)). Further, Judge Newman stated that otherwise, attorneys would be required to breach the PTO's Code of Professional Responsibility, and the Model Rules. *Id.* at 1193.

172. For example, before an application is examined by the PTO, the applicant must sign and file a properly executed oath or declaration that identifies the application's specification, identifies each inventor, and states the full inventorship. *See* 37 C.F.R. §§ 1.51(b), 1.63(a) (1997). Also, applicants sometimes file affidavits in order to antedate a reference by swearing behind examiner rejections made under 35 U.S.C. § 102(a), (e), or (g), *see* 37 C.F.R. § 1.131 (1997), or to offer evidence of patentability by the inventor or an expert, to rebut 35 U.S.C. § 103 (1994) rejections (*e.g.*, offer evidence of secondary considerations), or to explain publications regarding the invention that lists more than one author but are not inventors, *see* 37 C.F.R. § 1.132 (1997).

(e.g., perjury regarding the patentability of the claimed invention), the attorney may be compelled to disclose the breach of the applicant's duty of candor. Both the PTO Code of Professional Responsibility and the Model Rules suggest that the attorney is not free to render legal services to a client that would be conducting inequitable conduct.¹⁷³

Finally, if an ethical violation occurs or is imminent, an attorney has only a few options. Generally, an attorney may either withdraw from representation or disclose the unethical conduct. In *Molins*, Judge Nies, in dissent, argued that the attorney's "representation of clients with conflicting interests provides no justification for deceiving the PTO. Ethics required [the attorney] to withdraw."¹⁷⁴ The PTO Disciplinary Rules provide that "[a] practitioner shall not withdraw from employment in a proceeding before the Office *without permission* from the Office (see §§ 1.36 and 2.19 of this subchapter)."¹⁷⁵ Withdrawal may be mandatory or permissible. An attorney must withdraw if "[t]he practitioner knows or it is obvious that the practitioner's continued employment will result in violation of a Disciplinary Rule"¹⁷⁶ An attorney's actions constituting inequitable conduct (nondisclosure of material prior art) or client perjury (false oath or declaration) violates the PTO Disciplinary Rules and thus withdrawal is likely mandatory. However, even if an argument can be made that the Disciplinary Rules are not violated, the attorney clearly has the option to withdraw. The PTO rules provide that a practitioner may request permission to withdraw if:

173. The PTO Code of Professional Responsibility provides that in representing a client within the bounds of the law, an attorney shall not:

- [1] Knowingly advance a claim or defense that is unwarranted under existing law, except that a practitioner may advance such claim or defense if it can be supported by good faith argument for an extension, modification, or reversal of existing law.
- [2] Conceal or knowingly fail to disclose that which the practitioner is required by law to reveal.
- [3] Knowingly use perjured testimony or false evidence.
- [4] Knowingly make a false statement of law or fact.
- [5] Participate in the creation or preservation of evidence when the practitioner knows or it is obvious that the evidence is false.
- [6] Counsel or assist a client in conduct that the practitioner knows to be illegal or fraudulent.
- [7] Knowingly engage in other illegal conduct or conduct contrary to a Disciplinary Rule.

37 C.F.R. § 10.85(a) (1998); *see id.* § 10.84(b)(2) (1998) (providing that when representing a client zealously, an attorney may: "Refuse to aid or participate in conduct that the practitioner believes to be unlawful, even though there is some support for an argument that the conduct is legal."); *cf.* MODEL RULES, *supra* note 163, at Rules 1.2(d), (e).

174. *Molins*, 48 F.3d at 1190 (Nies, J., dissenting).

175. 37 C.F.R. § 10.40(a) (1998) (emphasis added).

176. *Id.* § 10.40(b)(2) (1998).

(1) The petitioner's client: (i) Insists upon presenting a claim or defense that is not warranted under existing law and cannot be supported by good faith argument for an extension, modification, or reversal of existing law; (ii) Personally seeks to pursue an illegal course of conduct; (iii) Insists that the practitioner pursue a course of conduct that is illegal or that is prohibited under a Disciplinary Rule; . . . (v) Insists, in a matter not pending before a tribunal, that the practitioner engage in conduct that is contrary to the judgment and advice of the practitioner but not prohibited under the Disciplinary Rule

(2) The practitioner's continued employment is likely to result in a violation of a Disciplinary Rule; . . . or

(6) The practitioner believes in good faith, in a proceeding pending before the Office, that the Office will find the existence of other good cause for withdrawal.¹⁷⁷

Therefore, even if withdrawal is not mandatory, withdrawal is permissible and the right thing to do in order to uphold client confidences and discharge of the attorney's ethical duties.¹⁷⁸

Withdrawal, however, may not be the only remedy. The PTO Code of Professional Responsibility provides that:

A practitioner who receives information clearly establishing that:

(1) A client has, in the course of the representation, perpetrated a fraud upon a person or tribunal shall promptly call upon the client to rectify the same, and if the client refuses or is unable to do so the practitioner shall reveal the fraud to the affected person or tribunal. (2) A person other than a client has perpetrated a fraud upon a tribunal shall promptly reveal the fraud to the tribunal.¹⁷⁹

177. 37 C.F.R. § 10.40(c) (1997); *see id.* § 10.66(b) (1998) ("A practitioner shall not continue multiple employment if the exercise of the practitioner's independent professional judgment in behalf of a client will be or is likely to be adversely affected by the practitioner's representation of another client, or if it would be likely to involve the practitioner in representing differing interests"); *cf.* MODEL RULES, *supra* note 163, at Rule 1.16(a) (1995); *id.* at Rule 1.6 cmt. 15 ("If the lawyer's services will be used by the client in materially furthering a course of criminal or fraudulent conduct, the lawyer must withdraw, as stated in Rule 1.16(a)(1).").

178. *See* 37 C.F.R. § 10.110 (1998) ("A practitioner should avoid even the appearance of professional impropriety.").

179. *Id.* § 10.85(b) (1998).

Thus, if during later litigation the attorney discovers that the client had perjured when signing the oath or declaration, the attorney may be required to disclose the inequitable conduct.

Accordingly, inequitable conduct raises ethical issues for an attorney, whether the issues arise from information known to the attorney, or through conduct by the client. Judge Newman is likely correct that client confidentiality and canons of professional conduct override a questionable construction of the M.P.E.P. and the C.F.R. The bright-line should be drawn between mere protection of client confidentiality through non-disclosure and affirmative misrepresentation; for example, in an affidavit, where an attorney chooses to expressly lie to the PTO. Moreover, grounds for unenforceability and liability are available through other equitable doctrines and causes of action, such as the Walker Process claim.¹⁸⁰ When faced with a clear ethical violation, the best option for the attorney may be to withdraw from representing both client patent applicants, thereby preserving client confidences and not breaching her own duty of candor and professional responsibility.¹⁸¹ The

180. See *supra* note 5.

181. Such an issue was discussed at the State Bar of Wisconsin 1999 Midwinter Convention by a panel of three prominent patent attorneys addressing ethics and patent law. Roundtable Discussion II, Ethics and Patent Law at the State Bar of Wisconsin 1999 Midwinter Convention Intellectual Property Law Section (Jan. 29, 1999). Members of the panel discussed two possible resolutions for when confidentiality conflicts with the duty of candor. The panel was split as to whether the attorney must withdraw from one or both of the client patent applicants.

One panel member stated that the attorney should withdraw from representing *one* of the clients. The panel member added that the attorney must tell both clients that there is a conflict or that there may be conflicting subject matter. As for the party losing the attorney's representation, the panel member stated that the attorney should explain why the withdrawal is necessary and suggest other firms that can handle the application. Further, the attorney must tell the PTO what happened.

A second panel member stated that the attorney must withdraw from representing *both* clients as soon as possible. Further, the panel member stated that the withdrawals cure the duty to disclose. The panel member also added that in a perfect world, the attorney would not have the second application because of conflicts checks.

A third panel member stated that the attorney must withdraw from representing *both* clients because if you keep either, you know something material and it has to be disclosed. The panel member added that the attorney should continue to control the case until it is transferred so you have a record that you are disposed of the case.

Also, a speaker from an earlier program who works for the PTO Office of Enrollment and Discipline, added that the PTO has not yet taken a position, but that the attorney should withdraw from representing *both* clients. The PTO official added that there likely is a way to withdraw *before* the duty of disclosure arises if done quickly enough. Otherwise, under 37 C.F.R. § 10.85, the withdrawing attorney could tell the client and then the client has the duty to disclose, which lasts until the end of prosecution.

ability to withdraw, although ethically preferred however, may often be realistically impossible.

V. CONCLUSION

Accordingly, although there are several unresolved issues and inconsistencies associated with inequitable conduct, the recent PTO revision of the rule governing the duty of candor and issues raised in recent cases indicate an agenda to reform the standard of inequitable conduct and provide an opportunity for further reform.

The applicable standard to be followed by district courts when determining materiality has not yet received any substantive review by the Federal Circuit since its revision. The Federal Circuit should construe the revised Rule 56 to require a heightened level of materiality. The effect of elevating the level of materiality coincides with basic principles of patent law, provides earlier certainty and greater uniformity. Such a construction does have its costs. Raising the standard may breed less disclosure and should be carefully considered and expressly pronounced by the courts. Further, the Federal Circuit should maintain its deference to the district courts, in light of the new Rule.

Lastly, the Federal Circuit should take the opportunity, when presented, to verify that the scope of the attorney's duty to disclose is controlled by client confidentiality and not controlled by juxtaposing agency regulations.

SCOTT D. ANDERSON