Waiting for *Therasense*: Back to First Principles and Ethical Considerations

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INEQUITABLE CONDUCT: FIRST PRINCIPLES

- Arose as a purely *equitable* judicial doctrine sounding in fraud and unclean hands in *Precision Instruments* (1945)
- Prior to this, fraudulent procurement cases were either:
  - i) alleged by defendants where patentee stole the invention or deceived the Patent Office to grant broader rights than warranted
  - ii) brought by US Govt for claims of fraud on Patent Office

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INEQUITABLE CONDUCT: FIRST PRINCIPLES

- However, Govt was perceived to be lax in bringing fraud cases to invalidate patents
- *Precision Instruments* Court allows novel doctrine that because injunctive relief is equitable/extraordinary relief, and courts have broad discretion as to equitable matters, then courts may withhold their equitable powers at their discretion

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INEQUITABLE CONDUCT: FIRST PRINCIPLES

- "Inequitable conduct" in its origins was nothing more and nothing less than a court invoking the equitable doctrine of "unclean hands" and refusing to exercise its equitable powers on behalf of the patentee if it believes the patentee engaged in some bad behavior (with Patent Office or otherwise) related to the matter

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IMPLICATIONS OF *PRECISION INSTRUMENTS*

- The Supreme Court has not revisited the issue (except *Walker Process* claim issues)
- Thus, *can* the Federal Circuit "fix" inequitable conduct?
- What would this look like?
- It is bound by *Precision Instruments* and cannot strip courts of their equitable powers or discretion

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WHAT ABOUT RULE 56?

- While Rule 56 is often perceived to be the root of the inequitable conduct doctrine and/or to govern it, the Rule was instead simply an attempt to guide patent attorneys and explain the developing case law
- *Norton v. Curtiss*, 1977 Rule, and *TSC Industries*: focus on materiality, intent, securities fraud analogies, and the risks of *under* and *over* disclosure
- 1970s-1990s: "echo chamber" of case law and PTO rulemaking

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Federal Circuit Attempts to Control the "Plague" of Inequitable Conduct Allegations

- *Kingsdown*: gross negligence insufficient for a inference of intent necessary for a finding of inequitable conduct
- Federal Circuit also reaffirms the tripartite nature of fact, law, and equity, with inequitable conduct purely an equitable matter (with reliance on fact finding as necessary of course)
- So all this resolves is a particular question with regard to gross negligence

The Last Decade: Clarity or Confusion?

- "Hyper-technical" approach: follow each new case closely and "add" or "subtract" an area of disclosure
- The Federal Circuit continually signals its desire to "fix" the problem, but can it? Are its attempts working?
- Probably not. Each "fix" likely leads to more emphasis on hyper-technical approach

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So What is a Patent Prosecutor Supposed to Do?

- Compliance with Rule 56 does not immunize patents from being held unenforceable under IC
- Rule 56 really is just a matter of PTO practice and discipline; thus patent attorneys must comply with it as an ethical matter
- But as the Rule 56 "chases" the case law—based on a very different set of principles—does this potentially hinder patent attorneys from fulfilling their state bar professional responsibilities to clients?

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So What is a Patent Prosecutor Supposed to Do?

- For now, focus must be on materiality (presuming no bad intent of course!)
- Patent prosecutors must consider all references in their ambit and decide whether they are material or not; cannot rely much on examiner's knowledge
- Controversial recommendation: should keep some record of decision so as to be able to articulate it later; courts seem most unfavorable to "I can't recall" statements

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So What is a Patent Prosecutor Supposed to Do?

- Finally, patent attorneys must watch *over* disclosure as much as under disclosure
- "Burying the reference" is still a live matter

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What Can the Federal Circuit Do?

- It cannot make *Precision Instruments* go away
- At best, it can define standards for unclean hands in this space
- Accordingly, the best thing the Federal Circuit could do is to refocus on *intent* and create a high bar for this
  - No or little "inference" of intent from materiality
  - Retain/reinforce clear and convincing standard for intent findings
  - Materiality should only be a one way exemption from IC, in that even if there is intent, but the disclosure would not have affected the reasonable examiner, then IC not applicable

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