

THE CASE FOR ELIMINATING PATENT LAW'S  
INEQUITABLE CONDUCT DEFENSE*Eric E. Johnson\**

## INTRODUCTION

Pressure is building again for Congress to reform patent law.<sup>1</sup> Various proposals would reduce patent-litigation costs through fee shifting,<sup>2</sup> delaying discovery,<sup>3</sup> or allowing manufacturers to defend suits on behalf of their customers.<sup>4</sup> Eluding consideration, however, is one simple

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1. See Matthew Bultman, USPTO Chief Calls for Patent Reform, Higher-Quality Patents, *Law360* (Jan. 8, 2016, 8:06 PM), <http://www.law360.com/articles/744549/uspto-chief-calls-for-patent-reform-higher-quality-patents> [<http://perma.cc/6M88-NCHD>] (describing USPTO Director Michelle Lee's calls for legislation to "curtail[] abusive patent litigation tactics while also preserving a patent owner's ability to enforce their rights"); Paul Morinville, Senator Grassley Talks About Patent Reform at Iowa Town Halls, *IPWatchdog* (Jan. 10, 2016), <http://www.ipwatchdog.com/2016/01/10/senator-grassley-patent-reform-town-halls/id=64816/> (on file the *Columbia Law Review*) (describing Senator Chuck Grassley talking to voters about current patent reform legislation); Lisa Patel & Sid Venkatesan, Patent Reform Tries Again, *TechCrunch* (Sept. 13, 2015), <http://techcrunch.com/2015/09/13/patent-reform-tries-again/> [<http://perma.cc/F5QJ-5U94>] (describing "a continued beehive of patent reform activity in the Supreme Court and Congress" and "the continued public drumbeat (a drumbeat taken up by President Obama, among others) against 'Patent Assertion Entities' (PAE), aka 'patent trolls'"); Barack Obama, President Barack Obama's State of the Union Address (Jan. 28, 2014), <http://www.whitehouse.gov/the-press-office/2014/01/28/president-barack-obamas-state-union-address> [<http://perma.cc/C3UY-UMFG>] ("[L]et's pass a patent reform bill that allows our businesses to stay focused on innovation, not costly, needless litigation.").

2. See Innovation Act of 2015, H.R. 9, 114th Cong. § 3(b)(1) (2015) (directing courts to award costs and attorneys' fees to a prevailing party, with exceptions).

3. See, e.g., Daniel Nazer, Six Good Things About the Innovation Act: Part Three, Ending Discovery Abuse, *Electronic Frontier Found.: Deeplinks* (Nov. 4, 2013), <http://www.eff.org/deeplinks/2013/11/six-good-things-about-innovation-act-part-three-ending-discovery-abuse> [<http://perma.cc/L2GV-WJSW>] (discussing the delayed discovery provision of the proposed Innovation Act).

4. See, e.g., Julie Samuels, Six Good Things About the Innovation Act: Part Five, Customer Suit Exception, *Electronic Frontier Found.: Deeplinks Blog* (Nov. 6, 2013), <http://www.eff.org/deeplinks/2013/10/six-good-things-about-innovation-act-part-five-customer-suit-exception> [<http://perma.cc/62D3-YGNA>] (discussing the proposed Innovation Act's provision for allowing manufacturers to step into litigation targeting their customers).

change that might eliminate millions or even billions of dollars worth of waste across the entire patent system. It is a change that does not involve adding anything to patent law, just getting rid of something: the inequitable conduct defense.

In patent-infringement litigation, inequitable conduct is a judicially crafted defense that will invalidate a patent upon the defendant's showing that the patent was obtained by deceiving the patent office. It sounds, at first blush, like a good idea: Why should a plaintiff be allowed to enforce a patent procured by fraud? But the inequitable conduct defense is a study in unintended consequences.

Inequitable conduct commonly comes up as an accusation that the patentee, when applying for her or his patent, failed to live up to a duty of disclosure and candor. Applicants are supposed to provide the patent office with all known, material "prior art"—that is, information about preexisting inventions and technical references bearing on whether the applicant's invention is truly deserving of a patent. This duty and the inequitable conduct doctrine's enforcement of it are meant to help avoid the issuance of undeserved patents, which would unfairly restrict the rights of the public.

Unfortunately, in the real world, the inequitable conduct defense can make a mess of things, driving up litigation costs, changing settlement dynamics, perverting patent economics, elevating strategic behavior, and creating a sideshow of mudslinging for the jury.<sup>5</sup> A patent lawsuit should focus on the patent's claims and the defendant's product, the two objects of the infringement analysis. The inequitable conduct defense, however, explodes the patent-litigation universe by putting in issue what inventors knew and when they knew it. Many thousands of additional documents may be swept into the fray, several additional depositions might be demanded, and trial could be extended by days.

The existence of the inequitable conduct defense also adds costs and complexity to patent prosecution—that is, the process of applying for a patent and trying to get it issued. The prospect of a future accusation of inequitable conduct pushes applicants to overload patent examiners with prior art references of dubious value.<sup>6</sup>

Congress and the courts are aware of the problems of inequitable conduct. Their responses have been to try to sand down the doctrine's rough edges and make it harder to win.<sup>7</sup> These measures do not, how-

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5. See *infra* section II.A (discussing costs the inequitable conduct defense imposes on litigants).

6. See *infra* section II.B (discussing costs the inequitable conduct defense imposes on the patent-prosecution process).

7. See *infra* Part III (discussing how the U.S. Court of Appeals for the Federal Circuit and Congress have responded to the inequitable conduct problem).

ever, end the strategic usefulness of the defense in litigation, nor can they entirely calm the fears of patent attorneys whose defensive behavior burdens the patent-prosecution process.

At least in part, the troubles with the inequitable conduct defense stem from the fact that the doctrine is a theoretical misfit. Patents are economic incentives. The patent system is a way of tinkering with the free market to prod people into advancing the state of technology.<sup>8</sup> But the inequitable conduct defense, at its core, is about fairness. It's a judge-made add-on to patent law, born of indignation toward bad actors—not nuanced thinking about economics. Thus, it should be little surprise that the doctrine has worked out so poorly in practice.

Patent law's inequitable conduct defense is a mistake that can be undone. Either Congress or the Supreme Court should seize the opportunity to eliminate the defense entirely.

Part I of this Piece provides background on patents and traces the evolution of the inequitable conduct defense. Part II explains how the inequitable conduct defense creates waste, during both the patent prosecution process and litigation. Part III reviews attempts by the courts and Congress to rein in the inequitable conduct defense and explains why these attempts have been inadequate. Part IV argues that complete elimination of the inequitable conduct defense is the best course.

## I. PATENTS AND INEQUITABLE CONDUCT

This Part provides a brief overview of patents, including their function, the rights they provide, and the process for getting them. Then it discusses the inequitable conduct defense, explaining the doctrine's development into its modern form.

### A. *The What, How, and Why of Patents*

Patents are intended to provide an economic incentive for people to invent and to disclose their inventions to the public.<sup>9</sup> The incentive is

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8. See, e.g., *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945) (“[A] patent is an exception to the general rule against monopolies and to the right to access to a free and open market.”).

9. See *Diamond v. Chakrabarty*, 447 U.S. 303, 307 (1980) (noting that Congress created patent entitlements with the hope of having “a positive effect on society through the introduction of new products and processes of manufacture into the economy” (quoting *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974))). Whether patents actually incentivize invention is a different issue. It appears they do in some sectors, but do not in many others. See, e.g., Edwin Mansfield, *Patents and Innovation: An Empirical Study*, 32 *Mgmt. Sci.* 173, 174–75 (1986) (collecting data showing that 65% of pharmaceutical inventions would not have been brought to market absent the inducement of patenting but that in other sectors, including motor vehicles, textiles, and office equip-

indirect. A patentee has the power to bring an action for an injunction and damages against anyone who makes, sells, or uses an invention within the patent's claims.<sup>10</sup> The claims determine a patent's offensive scope, setting out the metes and bounds of the intangible territory from which all others are excluded.

A patent's capacity to exclude others is what enables patentees to make money, most straightforwardly by extracting license fees from those who want to practice the invention (that is, make, sell, or use it).<sup>11</sup> Alternatively, patentees who are manufacturers can use the patent to put a stop to all competition in the market for the patented product, thus reaping returns by charging monopoly-level prices.<sup>12</sup>

Perhaps counterintuitively, patents do not provide patentees with an affirmative right to practice the patented invention.<sup>13</sup> In fact, patentees are routinely blocked from making, selling, or using their own patented

ment, there was no evidence patenting was a needed inducement to bring an invention to market).

10. See 35 U.S.C. § 271(a) (2012) (“[W]hoever . . . makes, uses, offers to sell, or sells any patented invention . . . or imports [the invention] . . . infringes the patent.”); id. § 281 (allowing patentees to file civil suit for infringement); id. § 283 (authorizing injunction as a remedy); id. § 284 (authorizing damages as a remedy).

11. See, for example, Stuart J.H. Graham & Ted Sichelman, *Why Do Start-Ups Patent?*, 23 *Berkeley Tech. L.J.* 1063, 1064–65, 1075–76 (2008) (discussing income from licensing fees as an incentive). Regarding the meaning of “to practice” in the patent context, see, e.g., *Azure Networks, LLC v. CSR PLC*, 771 F.3d 1336, 1344 (Fed. Cir. 2014) (stating the right to practice a patent includes “the right to make, sell, and use”); *Cequent Trailer Prods., Inc. v. Intradin (Shanghai) Mach. Co.*, No. 1:05-CV-2566, 2007 WL 438140, at \*6 (N.D. Ohio Feb. 7, 2007) (referring to rights conferred in a patent licensing agreement to “use, make, sell, offer to sell, and import” a product as “the right to practice” the patent).

12. See *In re Aggrenox Antitrust Litig.*, No. 3:14-md-2516 (SRU), 2016 WL 4203387, at \*3 (D. Conn. Aug. 8, 2016) (discussing the argument that patent holders “need to exclude competition and charge supracompetitive prices, in order to be able to afford to bring new drugs to market and to have the profit incentive to do so” (emphasis omitted)); Jeremy N. Sheff, *Self-Replicating Technologies*, 16 *Stan. Tech. L. Rev.* 229, 241 (2013) <http://journals.law.stanford.edu/sites/default/files/stanford-technology-law-review-stlr/online/self-replicatingtechnologies.pdf> [<http://perma.cc/BB2K-8VS8>] (“[W]e think of patent protection as serving to spur innovation. The promise of supracompetitive returns under a time-limited patent monopoly . . . provide[s] the incentive to undertake costly investments in innovation that otherwise would not be made (due to the disincentive effects of free-riding by follow-on competitors . . .).”).

13. See *Leatherman Tool Grp. v. Cooper Indus., Inc.*, 131 F.3d 1011, 1015 (Fed. Cir. 1997) (“[T]he federal patent laws do not create any affirmative right to make, use, or sell anything. As the Supreme Court has stated, ‘[t]he franchise which the patent grants[] consists altogether in the right to exclude . . . This is all that he obtains by the patent.’” (quoting *Bloomer v. McQuewan*, 55 U.S. 539, 548 (1852))); *ICN Pharm., Inc. v. Geneva Pharm. Tech. Corp.*, 272 F. Supp. 2d 1028, 1053 (C.D. Cal. 2003) (“An issued patent does not give the patentee any affirmative rights, but instead, gives the patentee the ability to exclude others . . .” (internal quotation marks omitted) (quoting 35 U.S.C. § 154(a)(1) (2012))).

invention because doing so would entail infringing someone else's patent.<sup>14</sup> All in all, a patent might best be thought of as a government-granted license to sue.

Within the scope of their claims, patents are very powerful. Liability is strict.<sup>15</sup> And determining prima facie patent infringement is a no-frills exercise: The court interprets the language of the patent's claims and then compares the claims to the alleged infringer's accused product.<sup>16</sup> If the claims fit, the product infringes. That's it. There is no requirement of intent, no requirement that the defendant was aware of the patent's existence, and no requirement that the defendant copied the patentee's invention.<sup>17</sup> Moreover, there are no compulsory-license schemes or fair use rights in U.S. patent law.<sup>18</sup>

The main checks on the power of patents are the barriers to obtaining them. The only way to get a patent on a new invention is to file an application. And the only way to get the application accepted is to convince the examiner at the U.S. Patent and Trademark Office (PTO)

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14. This commonly occurs when one person patents an improved version of another person's patented invention. See, e.g., Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 *Tex. L. Rev.* 989, 1000–01 (1997). The concept of blocking patents and the lack of an affirmative right to practice a patented invention has a long pedigree. See Patent Act of 1793, ch. 11, § 2, 1 Stat. 318, 321 (1793) (“[A]ny person, who shall have discovered an improvement . . . and shall have obtained a patent for such improvement . . . shall not be at liberty to make, use or vend the original discovery, nor shall the first inventor be at liberty to use the improvement.”).

15. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1368 (Fed. Cir. 2007) (“[P]atent infringement is a strict liability offense.”).

16. See *Becton Dickinson & Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 796 (Fed. Cir. 1990) (explaining that the test for patent infringement is determining the scope of the claims and then comparing them to the alleged infringer's accused product).

17. Cf. Mark A. Lemley, *Should Patent Infringement Require Proof of Copying?*, 105 *Mich. L. Rev.* 1525, 1526–32 (2007) (discussing the desirability of requiring copying to establish patent infringement and thus releasing independent inventors from liability).

18. Cf. Simone A. Rose, *On Purple Pills, Stem Cells, and Other Market Failures: A Case for a Limited Compulsory Licensing Scheme for Patent Property*, 48 *How. L.J.* 579, 609–27 (2005) (discussing whether a doctrine of fair use or a scheme of compulsory licensing should be added to U.S. patent law). Notably, some other countries' patent laws do provide for compulsory licensing. For a description of compulsory licensing measures in China, Taiwan, and India, see generally Enrico Bonadio, *India Grants a Compulsory Licence of Bayer's Patented Cancer Drug: The Issue of Local Working Requirement*, 3 *Eur. J. Risk Reg.* 247 (2012) (discussing the grant of a compulsory license in India); Lily Lim, *Trends in Compulsory Licenses in Greater China*, *Finnegan* (Aug. 16, 2006), <http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=e2a76b33-f4d4-4d88-b41a-a6f5af6e588f> [<http://perma.cc/4623-D59X>] (discussing compulsory licensing under Chinese and Taiwanese patent law). While U.S. patent law has no fair use defense, there is an extremely narrow “experimental use defense,” but it is limited to instances in which defendants can prove their use was “for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry.” *Embrex, Inc. v. Serv. Eng'g Corp.*, 216 F.3d 1343, 1349 (Fed. Cir. 2000) (quoting *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 863 (Fed. Cir. 1984)).

of five things: (1) that the invention is new (a requirement called “novelty”);<sup>19</sup> (2) that the invention represents a significant step forward, something the ordinary artisan or engineer would not have thought of (a requirement called “nonobviousness”);<sup>20</sup> (3) that the invention is useful (the “utility” requirement);<sup>21</sup> (4) that the submitted descriptions and drawings provide the public with full and complete instructions on how to build and use the invention for themselves (the “enablement” requirement);<sup>22</sup> and (5) that the invention is patentable subject matter (an easy requirement to meet in most cases, since all machines and “manufactures” qualify).<sup>23</sup>

With the rights they provide against the rest of the world, the law ascribes a measure of gravitas to patents. They are “a special privilege” with “far-reaching social and economic consequences.”<sup>24</sup> In other words, in the eyes of the law, getting a patent is a big deal. Moreover, patent prosecution is nonadversarial and *ex parte* in nature.<sup>25</sup> Accordingly, would-be patentees are expected to be above reproach in the application process. That expectation is formalized in patent office regulations as a duty of “[d]isclosure, [c]andor, and [g]ood [f]aith.”<sup>26</sup> Pursuant to this duty, the applicant must disclose to the PTO all information she or he has that is material to the question of patentability.<sup>27</sup>

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19. See 35 U.S.C. § 102 (2012) (disallowing a patent when “the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention”).

20. See *id.* § 103 (“A patent for a claimed invention may not be obtained . . . if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious . . . to a person having ordinary skill in the art to which the claimed invention pertains.”).

21. See *id.* § 101 (requiring a patented invention to be “useful”).

22. See *id.* § 112(a) (requiring “a written description of the invention, and of the manner and process of making and using it . . . to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same”). The enablement requirement ensures the benefit of the invention to the public at large upon the patent’s expiration.

23. See *id.* § 101 (allowing patents on any “process, machine, manufacture, or composition of matter, or . . . improvement thereof”).

24. *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945).

25. See, e.g., Lee Petherbridge et al., *The Federal Circuit and Inequitable Conduct: An Empirical Assessment*, 84 S. Cal. L. Rev. 1293, 1296 (2011) (noting the *ex parte* nature of patent prosecution as a rationale for the inequitable conduct doctrine).

26. See U.S. Patent & Trademark Office, Dep’t of Commerce, *Manual of Patent Examining Procedure* § 2001 (Mar. 2014).

27. See 37 C.F.R. § 1.56(a) (2016) (“The public interest is best served [when] the Office is aware of and evaluates the teachings of all information material to patentability. Each individual . . . has a duty of candor and good faith . . . to disclose to the Office all information known . . . to be material to patentability . . .”).

B. *Enter the Inequitable Conduct Defense*

Any duty to disclose naturally comes with enforcement difficulties. The very existence of a duty to disclose, after all, presupposes an information asymmetry that is hard to overcome. Enter the inequitable conduct defense. If it prevails, it is a complete defense to infringement in a lawsuit.<sup>28</sup> What is more, a finding of inequitable conduct in one lawsuit results in the invalidity of the entire patent—thus preventing its use in other lawsuits.<sup>29</sup> And it gets worse for the patentee. A finding of inequitable conduct in one patent can spread to related patents, possibly endangering a large part of a company’s patent portfolio.<sup>30</sup> A patent invalidated for inequitable conduct can also strip away the antitrust exemption that naturally accompanies a patent, leading to Sherman Act liability.<sup>31</sup>

Antecedents to the modern inequitable conduct defense go back to patent law’s earliest days.<sup>32</sup> The modern doctrine of inequitable conduct as a robust litigation defense to an infringement action, however, traces back to a trio of Supreme Court cases spanning the 1930s and 1940s.<sup>33</sup>

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28. E.g., *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1288 (Fed. Cir. 2011) (“[I]nequitable conduct regarding any single claim renders the entire patent unenforceable.”); *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984) (“Once a court concludes that inequitable conduct occurred, all the claims—not just the particular claims to which the inequitable conduct is directly connected—are unenforceable.”).

29. See *J.P. Stevens*, 747 F.2d at 1561.

30. E.g., *Therasense*, 649 F.3d at 1288–89 (“[T]he taint of a finding of inequitable conduct can spread from a single patent to render unenforceable other related patents and applications in the same technology family.”).

31. See *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965) (noting proof of a claim that a patentee “obtained the patent by knowingly and willfully misrepresenting facts to the Patent Office . . . would be sufficient to strip [the patentee] of its exemption from the antitrust laws”).

32. The need to police inequitable conduct was perceived with the nation’s first patent statute. The Patent Act of 1790 expressly permitted a party opposing a patent to bring, within a year of the patent’s issuance, a legal action in court to have the patent repealed upon the determination that the patent “was obtained surreptitiously by, or upon false suggestion.” Patent Act of 1790, ch. 7, § 5, 1 Stat. 109, 111 (1790). Later revisions of patent law authorized private remedies for fraudulently obtained patents as well. See Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 *Harv. J.L. & Tech.* 37, 38–45 (1993) (describing private remedies and defenses created in different iterations of patent legislation). But before the midtwentieth century, courts were reluctant to use such provision either to invalidate an existing patent or to release an infringer from liability. See *id.* at 44 (“[T]hrough the 1930’s, courts continued to be unsympathetic to the defense that patent rights . . . had been procured by fraud.”).

33. See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 819–20 (1945) (approving dismissal of a patentee’s infringement claims where the patentee was aware of and suppressed evidence that the patent had been obtained through perjury and fraud); *Hazel Atlas Glass Co. v. Hartford Empire Co.*, 322 U.S. 238, 250 (1944) (holding “complete denial of relief” was appropriate in an infringement case where a sham industry publication was used to show patentability at the PTO and to win Circuit Court of Appeals

At its birth, the inequitable conduct doctrine was a court-crafted response to intuitive concerns about fairness in an era of apprehension about corporate market power.<sup>34</sup> Of the seminal cases, *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.* may have offered the most evocative statement in favor of the doctrine, observing that “[a] patent by its very nature is affected with a public interest” and declaring that the public therefore has “a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that [patent-enabled] monopolies are kept within their legitimate scope.”<sup>35</sup>

When the Supreme Court introduced the inequitable conduct defense to patent infringement, it offered little clue as to what sort of conduct would count as inequitable. The job of defining inequitable conduct fell to lower courts, and eventually, the task was inherited by the Federal Circuit when it was established in 1982 as the single destination for the appeals of all patent cases.<sup>36</sup> The Federal Circuit took to the job of defining inequitable conduct energetically—some might say too much so. Over the years, the Federal Circuit has adjusted the standards for proving inequitable conduct up and down in various ways.<sup>37</sup>

It has long been clear that the inequitable conduct defense requires two elements: intent and materiality.<sup>38</sup> That is, the patentee must have acted with the requisite blameworthy state of mind in omitting to provide a prior art reference to the PTO, and the omitted prior art reference

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case); *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 246–47 (1933) (holding that dismissal of infringement claims was warranted where the patentee knew about the possible use of an invention prior to filing of an application and made a deal to suppress evidence of the prior use); see also *Therasense*, 649 F.3d at 1285 (attributing the doctrine’s evolution to *Keystone Driller*, *Hazel Atlas Glass*, and *Precision Instrument*); Priscilla G. Taylor, *Bringing Equity Back to the Inequitable Conduct Doctrine?*, 27 *Berkeley Tech. L.J.* 349, 350–52 (2012) [hereinafter Taylor, *Bringing Equity Back*] (discussing the history of the inequitable conduct defense).

34. See generally Derek J. Brader, *Distilling a Rule for Inferring Intent to Deceive the Patent Office*, 83 *Temp. L. Rev.* 529, 535 (2011) (describing the origins of inequitable conduct doctrine); Goldman, *supra* note 32, *passim* (same).

35. 324 U.S. at 816.

36. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 127, 96 Stat. 25, 37–38 (1982) (granting the Federal Circuit exclusive jurisdiction over patent appeals).

37. See, e.g., *Therasense*, 649 F.3d at 1287 (“[T]he standards for intent to deceive and materiality have fluctuated over time.”); see also Robert D. Swanson, *The Exergen and Therasense Effects*, 66 *Stan. L. Rev.* 695, 701–05 (2014) (tracing the evolving standards for inequitable conduct).

38. *Therasense*, 649 F.3d at 1287 (“[I]nequitable conduct came to require a finding of both intent to deceive and materiality.”); Swanson, *supra* note 37, at 701 (“For the entire duration of the Federal Circuit’s existence, it has been clear that inequitable conduct has two elements: materiality and intent.”).

must be material—i.e., a reference that matters. The thresholds for intent and materiality, however, have shifted mightily.

For most of the 1980s, both intent and materiality were defined in ways that benefited accused infringers. The required proof of intent was low, with the Federal Circuit holding that proof of the required intent was less stringent than common law fraud, although higher than simple negligence.<sup>39</sup> In the same era, the materiality standard was low as well, as it was based on the PTO’s wide-embracing rule for what needed to be included with a patent application, which was anything for which there was a “substantial likelihood that a reasonable examiner would consider it important.”<sup>40</sup>

Beginning in the late 1980s, the Federal Circuit began to move toward views of intent and materiality that were more favorable to patentees accused of inequitable conduct. In 1988, the Federal Circuit began using the word “plague” to describe the inequitable conduct doctrine’s place in patent litigation.<sup>41</sup> In the first case using the plague metaphor, a Federal Circuit panel articulated a standard for intent that sounded like negligence, saying, “[T]he nondisclosure of facts of which the applicant should have known the materiality may justify an inference of intent to mislead in appropriate cases.”<sup>42</sup> But later that same year, the

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39. *Orthopedic Equip. Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1383 (Fed. Cir. 1983), abrogated by *Therasense*, 649 F.3d 1276.

40. See 37 C.F.R. § 1.56 (1977); Swanson, *supra* note 37, at 701. “Important” in this context means important to the decision as to whether to allow any given claim to be included in an issued patent.

41. The Federal Circuit used the term for the first time in *Burlington Industries Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) (remarking that “the habit of charging inequitable conduct in almost every major patent case has become an absolute plague”). The same year, the court quoted *Burlington* in *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 n.15 (Fed. Cir. 1988). The Federal Circuit continued to follow the language of *Burlington*, see *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995) (“On the other hand, unjustified accusations of inequitable conduct are offensive and unprofessional. They have been called a ‘plague’ on the patent system. Unjustified accusations may deprive patentees of their earned property rights and impugn fellow professionals. They should be condemned.” (citation omitted) (citing *Burlington*, 849 F.2d at 1422)), as well as *Kingsdown*, see *Allied Colloids Inc. v. American Cyanamid Co.*, 64 F.3d 1570, 1578 (Fed. Cir. 1995) (“It was to mitigate the ‘plague’ whereby every patentee’s imperfections were promoted to ‘inequitable conduct’ that this court reaffirmed that both materiality and culpable intent must be established.” (citing *Kingsdown*, 863 F.2d at 876)), into the 1990s. In 2008, the court quoted *Allied Colloids* in characterizing inequitable conduct charges as a “plague” in *Abbott Laboratories v. Sandoz, Inc.*, 544 F.3d 1341, 1358 (Fed. Cir. 2008); see also Christian E. Mammen, *Controlling the “Plague”: Reforming the Doctrine of Inequitable Conduct*, 24 *Berkeley Tech. L.J.* 1329, 1359–60 (2009) (“This 75-fold differential, between pleading and ultimate success on appeal, supports the widely repeated belief that inequitable conduct is overpled and a ‘plague.’”).

42. *Burlington*, 849 F.2d at 1421 (citing *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987)).

Federal Circuit issued an en banc opinion, *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*, that ratcheted up the intent standard. The *Kingsdown* court reversed a district court for basing an inequitable conduct determination on gross negligence, holding that a finding of gross negligence, by itself, was not enough to justify an inference of intent to deceive.<sup>43</sup>

Then in 1992, the standard for materiality was adjusted upward. The PTO rewrote rules to provide that omitted information was material only if it would establish prima facie unpatentability or else was inconsistent with a position taken by the applicant during the prosecution process.<sup>44</sup> The PTO at the same time made it clear that it breached no duty to omit information that was cumulative of other information already included with the application.<sup>45</sup>

Over the course of the next several years, standards then drifted lower, favoring defendants pursuing the inequitable conduct defense. With regard to intent, after the “high water mark”<sup>46</sup> of *Kingsdown*, the Federal Circuit began taking “baby steps” back toward gross negligence.<sup>47</sup> In 2006, a panel of the Federal Circuit again announced a revision of the standard for intent, holding in *Ferring B.V. v. Barr Laboratories, Inc.* that if an applicant knew of the information, should have known about its materiality, and then could not come up with a credible explanation for omitting it, the requisite intent for inequitable conduct was shown.<sup>48</sup> The *Ferring* court added a finger-wagging warning that where an omitted reference is highly material and it is clear the patentee should have known of its materiality, a patentee could “expect to find it difficult to establish “subjective good faith” sufficient to prevent the drawing of an inference of intent to mislead.”<sup>49</sup>

Meanwhile, the Federal Circuit had come to endorse a sliding scale for intent and materiality, in which a strong case for materiality could offset weak evidence of intent.<sup>50</sup>

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43. *Kingsdown*, 863 F.2d at 869, 876.

44. See 37 C.F.R. § 1.56 (1992); Swanson, supra note 37, at 702 (describing the change in the standard for materiality).

45. See 37 C.F.R. § 1.56(b) (“Under this section, information is material to patentability when it is not cumulative to information already of record or being made of record in the application.”).

46. Taylor, Bringing Equity Back, supra note 33, at 353.

47. Swanson, supra note 37, at 702.

48. 437 F.3d 1181, 1191 (Fed. Cir. 2006).

49. Id. (quoting *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1257 (Fed. Cir. 1997)).

50. See, e.g., *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1346 (Fed. Cir. 2007) (“[T]he district court was permitted to balance the relatively weak evidence of intent

The tides began to shift again in 2008 with *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, in which the Federal Circuit acknowledged that the inequitable conduct doctrine had “broadened . . . to encompass misconduct less egregious than fraud” even as “the severity of the penalty ha[d] not changed.”<sup>51</sup> While reiterating the position that it is inequitable to enforce a patent obtained by way of omitted material information, the *Star Scientific* court observed that “it is also inequitable to strike down an entire patent where the patentee only committed minor missteps or acted with minimal culpability or in good faith.”<sup>52</sup> *Star Scientific* thus moved to make inequitable conduct harder to prove by requiring proof as to intent and materiality by clear and convincing evidence and by directing district courts to “balance the equities to determine whether the applicant’s conduct before the PTO was egregious enough to warrant holding the entire patent unenforceable.”<sup>53</sup>

Then, in 2009, the Federal Circuit directed district courts to enforce a high standard for pleading inequitable conduct, holding that to plead with the required particularity, a defendant “must identify the specific who, what, when, where, and how of the material misrepresentation or omission committed before the PTO” and the pleading “must include sufficient allegations of underlying facts from which a court may reasonably infer that a specific individual (1) knew of the withheld material information or of the falsity of the material misrepresentation, and (2) withheld or misrepresented this information with a specific intent to deceive the PTO.”<sup>54</sup>

The Federal Circuit’s newfound project of trying to reign in the inequitable conduct defense culminated in 2011 with its en banc opinion in *Therasense, Inc. v. Becton, Dickinson & Co.*<sup>55</sup> That opinion judged that “[l]eft unfettered, the inequitable conduct doctrine has plagued not only the courts but also the entire patent system.”<sup>56</sup> The *Therasense* court then set out what is now the current law on intent and materiality: For intent, the defendant must prove “that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it.”<sup>57</sup> For materiality, the defendant must prove “but-for materiality,” meaning that the PTO would not have allowed a claim in the patent if it

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together with the strong evidence that DDI’s omission was highly material to the issuance of the ’156 patent and to find that on balance, inequitable conduct had occurred.”).

51. 537 F.3d 1357, 1366 (Fed. Cir. 2008).

52. *Id.*

53. *Id.* at 1365.

54. *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1328–29 (Fed. Cir. 2009).

55. 649 F.3d 1276 (Fed. Cir. 2011).

56. *Id.* at 1289.

57. *Id.* at 1290.

had been aware of the omitted reference.<sup>58</sup> The now applicable standard of proof, as marked out by *Therasense*, is clear and convincing evidence as to intent and preponderance of the evidence as to materiality.<sup>59</sup>

## II. THE COSTS OF THE INEQUITABLE CONDUCT DOCTRINE

The existence of the inequitable conduct doctrine increases the costs of the patent system in myriad ways, adding to the burden and complexity of both patent prosecutions and infringement litigation.<sup>60</sup>

### A. *Costs in Infringement Litigation*

Inequitable conduct is “particularly costly” in litigation.<sup>61</sup> This is for several reasons. For starters, it is factually intensive and generally requires circumstantial evidence of intent, which can be expensive to obtain.<sup>62</sup> Moreover, disputed issues of intent are difficult to resolve on summary judgment.<sup>63</sup> And because inequitable conduct discovery usually involves subpoenaed documents and deposition testimony from the patentee’s prosecuting attorney, it leads to confrontations about attorney-client privilege, in turn leading to increased motion practice in discovery.<sup>64</sup>

Litigation costs also stem from the defense’s strategic usefulness, which persists even when prospects of prevailing on the defense’s merits are low. Accusing a patentee of inequitable conduct moves the litigation beyond the patent claims and the accused product to open up vast new areas for discovery. With an inequitable conduct claim, discovery can embrace the patentee’s corporate practice prior to filing the patent application.<sup>65</sup> And when the defense involves proving that an inventor knew of relevant prior art and failed to disclose it to the PTO, as it commonly does, the addition of an inequitable conduct defense may entail the depositions of several additional witnesses and many thousands of additional documents to be reviewed on both sides. Then, the involve-

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58. *Id.*

59. *Id.* at 1290–91.

60. See Brett Ira Johnson, *The Inequitable Conduct Defense in Patent Litigation: Where We Are, Where We Have Been, and Where We Should Go from Here*, 28 *Santa Clara Computer & High Tech. L.J.* 197, 217 (2012) [hereinafter Johnson, *Where We Are*] (discussing various ways in which the inequitable conduct defense is costly in litigation).

61. Christopher A. Cotropia, *Modernizing Patent Law’s Inequitable Conduct Doctrine*, 24 *Berkeley Tech. L.J.* 723, 740 (2009).

62. See *id.*; Johnson, *Where We Are*, *supra* note 60, at 217.

63. See Cotropia, *supra* note 61, at 740.

64. *Id.*

65. *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1288 (Fed. Cir. 2011) (“Most prominently, inequitable conduct has become a significant litigation strategy. A charge of inequitable conduct conveniently expands discovery into corporate practices before patent filing . . .”).

ment of more facts, more documents, and more witnesses can lead to a lengthened trial.

For the plaintiff, the expanded battlefield is costly not just in terms of billable attorney hours but also lost work time for tech company employees who must help search for discoverable material, sit for depositions, and perhaps serve as witnesses at trial. With both sides able to anticipate these expenses, a defendant with deep pockets may invoke inequitable conduct not because the defense will likely succeed on the merits but because litigating the issue could lead to victory by attrition, pushing the plaintiff to settle on more favorable terms. Thus, strategic considerations may motivate a defendant of means to pursue an inequitable conduct claim notwithstanding the fact that such a defendant will bear additional costs along with the plaintiff.

Another potent strategic use for inequitable conduct comes from trial dynamics, as the mere leveling of an inequitable conduct charge “paint[s] the patentee as a bad actor” and “cast[s] a dark cloud over the patent’s validity.”<sup>66</sup> Even if the defense cannot be proved up or survive a postverdict motion, the airing of evidence tending to show the patentee’s deceit might, of course, influence a jury on other issues, such as patent validity and infringement.<sup>67</sup>

If inequitable conduct were alleged only in very rare circumstances, all this might not be much of a problem. Yet that is not the case. Empirical research indicates that inequitable conduct is pled very frequently. A recent paper by Jason Rantanen and Lee Petherbridge reports data indicating the percentage of patent cases with inequitable conduct claims has ranged between 20% and 40% over the past fifteen years.<sup>68</sup>

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66. *Id.*

67. The recognition that evidence can push a jury toward a certain outcome notwithstanding the merits is woven into the law of evidence. See, e.g., *Carter v. Hewitt*, 617 F.2d 961, 972 (3d Cir. 1980) (discussing, in the context of Federal Rule of Evidence 403, the potential for evidence to prejudice “if it appeals to the jury’s sympathies, . . . provokes its instinct to punish, or otherwise may cause a jury to base its decision on something other than the established propositions in the case”). Note that inequitable conduct, being an equitable doctrine, is ultimately an issue for the court and not the jury. See *Am. Calcar, Inc. v. Am. Honda Motor Co.*, 651 F.3d 1318, 1333–34 (Fed. Cir. 2011). A jury may be called upon, however, to render a verdict on inequitable conduct, with that verdict being treated by the court as advisory in nature. See *id.*

68. See Jason Rantanen & Lee Petherbridge, *Inequitable Conduct and Patent Misuse* 19 tbl.2 (Univ. of Iowa Coll. of Law, Legal Studies Research Paper No. 16-09, 2016), <http://ssrn.com/abstract=2704132> (on file with the *Columbia Law Review*). Rantanen and Petherbridge’s research counted instances of the phrase “inequitable conduct” in answers filed in patent cases. *Id.* at 19 n.8.

B. *Costs in Patent Prosecution*

Inequitable conduct also increases the costs of patent prosecution—both for applicants and the government—because of the anticipation of a possible future fight over inequitable conduct.

Recall that a successful inequitable conduct defense not only results in the patentee's defeat in a particular lawsuit; it also invalidates the patent itself.<sup>69</sup> And a judgment of inequitable conduct can even invalidate separate but related patents and might create antitrust liability.<sup>70</sup> These prospects cause substantial anxiety among patent attorneys who file patent applications on behalf of clients.<sup>71</sup> Thus, possibility of an inequitable conduct claim in the future encourages applicants to erect as much of a defense as they can in advance, fulfilling their duty of disclosure with zeal, erring greatly toward overinclusiveness by padding applications with prior art references.

As the *Therasense* court put it, “With inequitable conduct casting the shadow of a hangman’s noose, it is unsurprising that patent prosecutors regularly bury PTO examiners with a deluge of prior art references, most of which have marginal value.”<sup>72</sup> Not only may applicants submit hundreds of references of doubtful value, but applicants tend also to shy away from explaining the significance of the references they submit for fear that doing so will create footholds for future inequitable conduct claims.<sup>73</sup>

In fact, problems of “burying” may have led many examiners to ignore applicants’ submitted prior art references altogether, causing examiners to rely instead on their own start-from-scratch prior art searches for the task of determining patentability.<sup>74</sup> The existence of such an effect is ironic, since it would mean the inequitable conduct defense is having precisely the opposite of its intended effect: Instead of leaving PTO examiners in a better position to judge patentability, they are put in a worse position.

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69. E.g., *Therasense*, 649 F.3d at 1288–89 (“[T]he taint of a finding of inequitable conduct can spread from a single patent to render unenforceable other related patents and applications in the same technology family.”).

70. See *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965) (noting proof of a claim that a patentee “obtained the patent by knowingly and willfully misrepresenting facts to the Patent Office . . . would be sufficient to strip [patentee] of its exemption from the antitrust laws”).

71. See, e.g., Lisa A. Dolak, *The Inequitable Conduct Gyre Widens*, 50 *IDEA* 215, 215 (2010) (reporting a “significant level of anxiety” in the patent bar about developments in the law of inequitable conduct).

72. *Therasense*, 649 F.3d at 1289.

73. *Id.*

74. See Robert Brendan Taylor, *Burying*, 19 *Mich. Telecomm. & Tech. L. Rev.* 99, 113–14 (2012).

C. *Costs on the Patent System as a Whole*

Beyond merely adding to the expense of litigation and prosecution, the inequitable conduct defense has other effects on the patent system as a whole. The Federal Circuit has blamed the inequitable conduct defense for PTO backlogs and “impaired patent quality.”<sup>75</sup> The existence of inequitable conduct as a way to dispose of a case may also warp the entire patent-litigation system by giving courts a way to dispose of patent cases without venturing into the technically demanding process of claim construction and infringement analysis.<sup>76</sup>

Federal Circuit Judge Randall R. Rader wrote that inequitable conduct “grew from a tiny bush on the patent landscape that inhibited gross fraud into a ubiquitous weed that infects every prosecution and litigation involving patents.”<sup>77</sup> Certainly the inequitable conduct defense has affected the culture of patent litigation, which has a reputation for particular rancor. Another federal judge remarked that “patent cases involve more acrimony than any other category of cases [that] I have, including an actual fistfight in a deposition.”<sup>78</sup> And on the subject of patent reform, a federal district court judge, apparently weary of his patent-infringement docket, remarked, “The meaningful reform would be the elimination of jurisdiction for the District Court in patent litigation.”<sup>79</sup>

Add together increased litigation costs, prosecution costs, and other costs imposed on the system, and the waste generated by the inequitable conduct defense is substantial. While no study has attempted to reckon the total cost the inequitable conduct doctrine imposes on the economy, there is every reason to believe it is large. Over twenty years ago, patent litigation was estimated to cost \$1 billion a year,<sup>80</sup> and the number of

75. *Therasense*, 649 F.3d at 1290.

76. See *Aventis Pharma S.A. v. Amphastar Pharm., Inc.*, 525 F.3d 1334, 1350 (Fed. Cir. 2008) (Rader, J., dissenting) (noting that “inequitable conduct . . . offers the trial court a way to dispose of a case without the rigors of claim construction and other complex patent doctrines” and some courts have even “elected to try this issue in advance of the issues of infringement and validity”).

77. Randall R. Rader, *Always at the Margin: Inequitable Conduct in Flux*, 59 *Am. U. L. Rev.* 777, 781 (2010).

78. This unattributed remark, in an email to Judge Ronald M. Whyte, was read aloud at a law review symposium event. Ronald M. Whyte, *Edited Transcript of Remarks on Patent Reform: Reaction from the Judiciary*, 19 *Berkeley Tech. L.J.* 1049, 1049 (2004); see also Frank M. Gasparo, *Markman v. Westview Instruments, Inc. and Its Procedural Shock Wave: The Markman Hearing*, 5 *J.L. & Pol’y* 723, 753 n.127 (1997) (reviewing sources that attribute bitterness and abusiveness to patent-litigation discovery).

79. Whyte, *supra* note 78, at 1049. Judge Whyte implied this remark should be attributed to Judge Charles R. Breyer. See *id.* (“I won’t give you the author, but his brother is on the Supreme Court.”).

80. Josh Lerner, *Patenting in the Shadow of Competitors*, 38 *J.L. & Econ.* 463, 470 (1995) (estimating that annual patent litigation costs about \$1 billion based on the year 1991); see also, e.g., *Schering-Plough Corp. v. FTC*, 402 F.3d 1056, 1075 (11th Cir. 2005)

patent lawsuits and their average cost have since greatly increased.<sup>81</sup> Given the ability of inequitable conduct to substantially bloat patent-litigation bills, it seems likely that, in total, the inequitable conduct defense has cost the United States many millions of dollars a year, and plausibly, over a course of years, billions of dollars.<sup>82</sup>

### III. THE INADEQUACY OF ATTEMPTED REPAIRS

Despite the significant costs the inequitable conduct doctrine imposes, the courts and Congress have sought to preserve it while ameliorating its destructive effects. Nibbling at the doctrine's edges, however, or even attempting to bite large chunks out of it, has ultimately been inadequate in undoing the damage it causes.

#### A. *The Federal Circuit's Heightened Standards*

The Federal Circuit's en banc opinion in *Therasense* represents a strenuous effort to confine inequitable conduct claims to rare cases in which the invalidation of a patent seems a just desert for truly blameworthy conduct. But that effort, as well as Federal Circuit interventions in other cases, appears not to have done the trick.

Although *Therasense's* holdings on materiality and intent make the defense harder to win on the merits, it is not clear that these adjustments have had much of an effect on inequitable conduct's strategic value in litigation. The defense may still help many defendants achieve an off-the-merits victory, either by getting a plaintiff to accept a less favorable settlement in anticipation of swollen litigation costs or by tilting the factfinder against the plaintiff at trial by filling the air with allegations of dishonest behavior.

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(quoting Lerner's estimate); Steven C. Carlson, Patent Pools and the Antitrust Dilemma, 16 Yale J. on Reg. 359, 380 (1999) (same).

81. Since 1991, both the number of patent cases filed and the average costs of patent litigation have risen greatly. See, e.g., Bradley D. Riel & Paul T. Meiklejohn, A Correlation Between the State of the US Economy and Patent Litigation Activity, 92 J. Pat. & Trademark Off. Soc'y 71, 90 (2010) (observing that "the number of patent cases filed in US district courts has generally increased on an annual basis"); Patent, All P-T-C, and All Civil Actions—1970–2005, [http://www.patstats.org/Historical\\_Filings\\_PatentSuits\\_OtherSuits.doc](http://www.patstats.org/Historical_Filings_PatentSuits_OtherSuits.doc) (on file with the *Columbia Law Review*) (last visited Oct. 19, 2015) (indicating a 132% increase in the number of patent cases filed from 1991 to 2005).

82. See, e.g., Thomas F. Cotter, An Economic Analysis of Patent Law's Inequitable Conduct Doctrine, 53 Ariz. L. Rev. 735, 769–70 (2011) (discussing the costs of the inequitable conduct defense and noting "an expansive inequitable conduct doctrine raises the (already quite high) costs of patent litigation, not only because of the doctrine's complexity but also because of the additional discovery burden imposed on the patentee"). See generally Megan M. La Belle, Against Settlement of (Some) Patent Cases, 67 Vand. L. Rev. 375, 377 (2014) (noting that "patent litigation is complex, expensive, and unpredictable").

As a result, the practices of litigators and patent applicants that have led to so much waste in past decades are unlikely to go away.<sup>83</sup> Notably, even prior to *Therasense*, the inequitable conduct defense rarely succeeded.<sup>84</sup> And poor prospects of success did not stop great numbers of accused infringers from pursuing the claim. It seems unlikely that they will retreat from the claim in the post-*Therasense* era either. And to the extent that *Therasense* and other cases have made the defense even harder to win, they have arguably rendered it more useless—not less problematic.

One must also consider that the inequitable conduct defense, as long as it lives, is capable of resurging. Patent attorneys taking the long view may anticipate that in the years ahead, the doctrinal pendulum could well swing back in defendants' favor, as it has in the past.<sup>85</sup> Thus, padding today's patent applications may be seen as a wise way of future proofing tomorrow's issued patents.

Not all scholars who have looked deeply into contemporary inequitable conduct doctrine perceive it as a continuing menace.<sup>86</sup> Indeed, raw numbers show some decrease in the rate of assertions of inequitable conduct since *Therasense*.<sup>87</sup> But that is not the whole story. The number of cases with inequitable conduct assertions appears to have stayed essentially constant after *Therasense* thanks to a greater influx of patent cases in the courts.<sup>88</sup> This is significant to the question of waste: If

83. Along these lines, one group of commentators has noted skepticism that *Therasense* is likely to do much about the problem. See, e.g., Zhe (Amy) Peng et al., A Panacea for Inequitable Conduct Problems or *Kingsdown* Version 2.0? The *Therasense* Decision and a Look into the Future of U.S. Patent Law Reform, 16 Va. J.L. & Tech. 373, 399 (2011) (“*Therasense* may be unsuccessful in significantly impacting the volume of inequitable conduct allegations.”).

84. See Mammen, supra note 41, at 1351–60 (analyzing data from the Federal Circuit and district courts to indicate that in 2008 (the study's most recent year), an inequitable conduct defense succeeded on appeal in only 0.14% of all patent cases, despite being pled in 40% of cases). But see Swanson, supra note 37, at 715–17 (questioning Mammen's methodology, pointing out flaws, and suggesting that of those cases where the court makes a determination with regard to inequitable conduct, the defense succeeds about 9% of the time in the most recent year studied); Rantanen & Petherbridge, supra note 68, at 17 (questioning Mammen's methodology and pointing out flaws).

85. See supra notes 46–49 and accompanying text (discussing the shift to a standard favoring defendants pursuing the inequitable conduct defense).

86. See, e.g., Swanson, supra note 37, at 724 (concluding that *Therasense* “may have gone too far” in view of data indicating that the combination of *Therasense* and *Exegen* led to a decrease in assertions of inequitable conduct). But regarding Robert Swanson's analysis, see Rantanen & Petherbridge, supra note 68, at 21 (stating that Swanson's work contains a calculation error that renders his empirical finding uncertain).

87. See Swanson, supra note 37, at 714–15; Rantanen & Petherbridge, supra note 68, at 21–22.

88. Swanson, supra note 37, at 714; see also id. at 709 (“[T]he number of inequitable conduct determinations remained relatively level . . .”).

a decrease in the frequency of inequitable conduct claims is offset by a growth in patent litigation, then the gross amount of waste engendered by inequitable conduct could well remain constant. Regardless, inequitable conduct is far from dead—the most up-to-date empirical research suggests inequitable conduct was making an appearance in about 20% of patent cases in 2015.<sup>89</sup> Thus, the problem remains.

#### B. *Congress's New Procedural Cure*

Congress, too, has poked at the inequitable conduct defense in recent years. The Leahy-Smith America Invents Act of 2011, which made the most sweeping changes to patent law in more than half a century, specifically addressed inequitable conduct.<sup>90</sup> The Act added 35 U.S.C. § 257, which provides for a supplemental-examination procedure that can cure a patent of potential inequitable conduct problems.<sup>91</sup>

Unfortunately, § 257 would appear to do little to ameliorate the waste-generating effect of the inequitable conduct defense itself. A supplemental examination does not eliminate the possibility of an inequitable conduct defense unless the supplemental examination concludes prior to the beginning of litigation.<sup>92</sup> Thus, there is continued incentive for applicants to shower the PTO with iffy references and for defendants to plead and take discovery on the inequitable conduct defense even when it has little chance of prevailing.

### IV. ERADICATION

The harm of the inequitable conduct defense is well recognized—hence the attempts of Congress and the courts to fix it. But the decades-old project of trying to mend the doctrine ignores the simplest and most effective thing that could be done: Congress or the Supreme Court should simply eliminate it.

Proponents of the inequitable conduct defense might argue that if we require patentees to disclose prior art, then there must be some enforcement mechanism to make sure they comply. But the duty could be enforced by some other mechanism, such as administrative enforce-

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89. See Rantanen & Petherbridge, *supra* note 68, at 18–19 & tbl.2 (documenting references to “inequitable conduct” in 2015 up through May 1, 2015).

90. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3, 125 Stat. 284, 285–93 (2011) (codified in scattered sections of 35 U.S.C. (2012)).

91. See Gideon Mark & T. Leigh Anenson, *Inequitable Conduct and Walker Process Claims After Therasense and the America Invents Act*, 16 U. Pa. J. Bus. L. 361, 417–18 (2014) (discussing the new supplemental-examination procedure).

92. 35 U.S.C. § 257(c)(2)(B).

ment or levying fines.<sup>93</sup> In addition, the duty to disclose prior art is buttressed by patent attorneys' ethical rules, which mandate "candor" with the PTO, including the disclosure of prior art.<sup>94</sup>

Completely eliminating the inequitable conduct defense is not implausible. In fact, the defense might not have survived the last round of patent reform but for some political placating. In response to my inquiry, Representative Lamar Smith, chair of the House Judiciary Committee during the passage of the act that bears his name, suggested that the inequitable conduct defense was retained, at least in part, because preserving the defense was a "critical issue" for the generic-pharmaceutical lobby—that is, those firms that compete with research-pharmaceutical companies by offering non-name-brand medications not under patent protection.<sup>95</sup> Ironically, the motivation for generic-pharmaceutical manufacturers to want to retain the ability to invalidate the research-pharmaceutical companies' patent monopolies is, apparently, the desire to obtain their own shorter-term monopolies under federal food-and-drug law's marketing exclusivity provisions.<sup>96</sup>

Regardless of what motivated inequitable conduct's corporate defenders, it is easy to see the societal benefit brought by the generic-pharmaceutical industry and other perennial patent defendants whose bread and butter is increasing consumer access to drugs and other important innovations. Moreover, it is very plausible to argue that pharmaceutical-research giants and other patent-rich corporate behemoths are unjustly enriched and economically overcompensated by a poorly calibrated patent system. Indeed, elsewhere I have argued that

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93. Cf. Tun-Jen Chiang, *The Upside-down Inequitable Conduct Defense*, 107 Nw. U. L. Rev. 1243, 1286 (2013) (advocating for judicially awarded "fines" payable at least in part to patent defendants as an alternative to an invalidity determination for inequitable conduct).

94. See 37 C.F.R. § 1.56(a) (2016) (setting forth a duty of "candor and good faith" to disclose all information material to patentability); id. § 11.18(b)(1) (requiring the truthfulness of all papers submitted to the PTO); id. § 11.804(c) (stating that it is professional misconduct to "[e]ngage in conduct involving dishonesty, fraud, deceit or misrepresentation"); see also id. § 11.106(b)(3) (creating an exception to the duty of client confidentiality allowing a practitioner to reveal information "necessary . . . [t]o prevent, mitigate, or rectify substantial injury to the financial interests or property of another that is reasonably certain to result or has resulted from . . . inequitable conduct before the Office").

95. See Letter from Lamar Smith, Chairman, House of Representatives Comm. on the Judiciary, to author (Dec. 3, 2012) (on file with the *Columbia Law Review*).

96. See Brief for Teva Pharmaceuticals USA, Inc. et al. as Amici Curiae Supporting Appellees and in Favor of Affirmance 1–2, *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (Nos. 2008-1511, 2008-1512, 2008-1513, 2008-1514, 2008-1595), 2010 WL 4622535 ("The federal Hatch-Waxman Act . . . encourages generic drug companies to challenge pharmaceutical patents that would otherwise delay generic introduction by granting the first challenger a six-month period of marketing exclusivity.").

there is a strong economic argument for phasing out the patent system as a whole and replacing it with a system of tightly limited entitlements available only for particular types of inventions.<sup>97</sup> Yet if we are going to have patents, then patent litigation should be reasonably expeditious for meritorious plaintiffs. And to the extent patent law needs pro-defendant aspects to provide balance, such provisions should work at the level of the legal merits, not litigation budgets and trial atmospherics.<sup>98</sup>

If legislators are reluctant to remove inequitable conduct at its roots, they should at least take the step of directing the Congressional Budget Office (CBO) to estimate the doctrine's costs to the economy.<sup>99</sup> While it is clear that the waste engendered is very large,<sup>100</sup> the CBO would be able to provide meaningful quantification. Indeed, this kind of careful fact-finding is the perfect antidote in our checks-and-balances system to a doctrine created by the judiciary without the benefit of the econometric muscle that the legislative branch can bring to bear.<sup>101</sup>

That being said, there is no reason to wait until an economic case is proved against the inequitable conduct defense. The burden of proof should be on whoever supports retaining the defense. The doctrine sprang from judicial intuitions about fair play.<sup>102</sup> There was no careful economic work done in connection with its creation. Yet patents are, in their essential nature, about economic incentives. Thus, we should expect doctrines fine-tuning those incentives to have economic soundness. The inequitable conduct doctrine lacks that. It follows that Congress and the Supreme Court should both feel free to erase inequitable conduct from the law.<sup>103</sup>

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97. Eric E. Johnson, *Intellectual Property and the Incentive Fallacy*, 39 Fla. St. U. L. Rev. 623, 675 (2012) [hereinafter Johnson, *Incentive Fallacy*].

98. Another approach to bringing balance to the patent system and preventing overcompensation is to adjust the duration of the patent entitlement. See Eric E. Johnson, *Calibrating Patent Lifetimes*, 22 Santa Clara Computer & High Tech. L.J. 269, 288–89 (2006).

99. The CBO is highly respected for producing nonpartisan information about the costs imposed by legislation. See, e.g., Gregory Dolin, *Speaking of Science: Introducing Notice and Comment into the Legislative Process*, 2014 Utah L. Rev. 243, 276–78 (explaining why the CBO is held in high esteem).

100. See *supra* note 82 and accompanying text (discussing the costs of the inequitable conduct defense).

101. Cf. Cotter, *supra* note 82, at 767 (observing that it would be beneficial to subject the inequitable conduct doctrine's "real-world impact to rigorous empirical analysis").

102. See *supra* note 34 and accompanying text (discussing the inequitable conduct doctrine as a response to fairness concerns).

103. Cf. Johnson, *Incentive Fallacy*, *supra* note 97, at 675–78 (arguing those who favor existing patent and copyright laws should have to make a specific, empirically based showing of necessity because the basic theory upon which patents and copyrights are based is contradicted by empirical research and evolving theory).

## CONCLUSION

Patents are extraordinary legal instruments, creating monopoly entitlements that allow their holders to use the power of the courts to halt private activities and extract retroactive royalties from private ventures. It fits with our intuitive sense of fairness that such exceptional legal power should be denied to those who were tricky in obtaining it. And the inequitable conduct defense grew out of this fairness instinct.

Yet if virtue is what drove the creation of the inequitable conduct defense, we should consider its unvirtuous side: The defense frequently turns a claim for patent infringement into a finger-pointing inquisition. Indeed, the inequitable conduct defense does a poor job of addressing unclean hands if for no other reason than that it causes all parties to a patent litigation to get neck deep in the mud.

More to the point, the essential function of the patent system is economic: to provide an encouragement for the production of public goods. Thus, we ought to be chary of allowing a moral impulse to steer the law of patents. We also should not allow legal inertia to carry forward a doctrine that was unsound from the beginning. Congress or the Supreme Court—whoever has the earliest opportunity—should put an end to the inequitable conduct defense.