

EVOLUTION OF THE INEQUITABLE CONDUCT DEFENSE IN PATENT LITIGATION

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INTRODUCTION

The statutory patent right to exclude others from practicing the claimed invention is inherently valuable to the patent owner.¹ The value of what the public receives in return for this right is based in large part upon the assumption that the inventor has dealt honestly with the Patent and Trademark Office. Towards this end, the patent statute tries to define a standard of what constitutes honest, equitable conduct, e.g., the disclosure and claiming requirements of 35 U.S.C. §§ 112-114, and the oath required by 35 U.S.C. § 115, which asks the inventor to swear that "he believes himself to be the original and first inventor" of the claimed subject matter.

Even in a perfect world, in which all inventors and their attorneys were saints, these requirements would raise questions about the bounds between honest and inequitable conduct. An attorney practicing before the Patent and Trademark Office is torn between the two conflicting principles of the high duty of candor owed to the patent examiner, who represents the public interest, and the duty of advocacy on behalf of his client.² Add to this the mismatched resources of perennially over-taxed patent examiners confronted with "the antlike persistency of [patent] solicitors."³ The potential for mischief is great.

The defense of inequitable conduct by the patent applicant as bar to enforcement of a patent first was recognized by the Supreme Court in 1945.⁴ A substantial body of law has developed in the 47 years since

* Fish & Neave, New York, N.Y. I am grateful for research assistance from my associate, Gerald J. Plattmann, and from Carol Hoffman of the Fish & Neave library. An earlier version of this paper was presented at the ALI-ABA Course of Study in Patent Law Litigation, December 4-5, 1992, Washington, D.C.

1. See *United States v. Bell Tel. Co.*, 128 U.S. 315, 370 (1888); see also Hon. Simon H. Rifkind, *The Romance Discoverable In Patent Cases*, 16 F.R.D. 253, 255 (1954) ("Patent suits are fought for money and for the power to make money. . . . and the prize is sometimes very large indeed. . . .").

2. *Mueller Brass Co. v. Reading Indus., Inc.*, 352 F. Supp. 1357, 1379 (E.D.Pa. 1972), *aff'd without opinion*, 487 F.2d 1395 (3d Cir. 1973).

3. *Lyon v. Boh*, 1 F.2d 48, 50 (S.D.N.Y. 1924) (Learned Hand, J.), *rev'd*, 10 F.2d 30 (2d Cir. 1925).

4. *Precision Co. v. Automotive Co.*, 324 U.S. 806 (1945). *But cf.* *Keystone Co. v. Excavator Co.*, 290 U.S. 240 (1933) (ruling that inequitable conduct in obtaining a temporary

then, particularly in the decisions of the Federal Circuit over its first 10 years. To place those decisions in context, it is useful to trace the development of the law concerning inequitable conduct from the beginning of the patent system.

This development is traced in the four sections that follow: Section I explores the state of the law before 1945, when courts were reluctant to recognize an inequitable conduct defense despite provisions of the patent statutes of that time. Those laws are discussed in conjunction with their judicial interpretations, with the section leading to the birth of the doctrine of inequitable conduct. Section II examines the development of the inequitable conduct doctrine in the regional Courts of Appeals for the years 1945-1982. During this period, the courts experimented with a variety of different standards as the law developed on a case-by-case basis. The decisions of the Federal Circuit, which was created in 1982, tried to harmonize these diverse standards. The result was that in the mid-1980's it became easier—some said too easy—to assert the defense. Later decisions attempted to return the defense closer to its pre-1982 boundaries. This is discussed in Section III, which lays out the important decisions made by the Federal Circuit. Finally, Section IV both discusses the recent revisions to the rule defining the type of conduct which results in a finding of inequitable conduct and identifies some of the issues which have not yet been resolved.

I. A STATUTORY DEFENSE IGNORED: THE LAW BEFORE 1945

Each of the patent statutes before the current 1952 Act contained specific provisions creating some form of a private remedy against procurement of a patent by fraud. What is striking about the law before 1945 is the reluctance of courts to apply those provisions either to void an already-issued patent or to defend against a charge of infringement.

On reflection, this should not seem surprising. First, the statutory provisions were framed in terms that courts interpreted as requiring something akin to proof of common law fraud or deceit. Those torts required proof of reliance by the injured party and proof of proximate damage. Neither of these factors was present in a patent case, where the

misrepresentations had been made to the Government, not to the private litigant complaining of the misconduct. Fraud as a defense, in litigation, as in a fraudulent inducement to enter into a contract, was an equitable defense that was long disfavored, "seldom discussed and nowhere definitively established, and . . . poorly comprehended by the courts."⁵

Moreover, then as now, the defense was usually being asserted by a party in the unfavorable equitable position of a patent infringer. For example, in *Vortex Manufacturing, Co. v. Ply-Rite Contracting Co.*,⁶ there was evidence that an affidavit concerning the results obtained by a patent process was "erroneous." The court said:

Whether there was willful misrepresentation in this instance, or whether the Patent Office was in fact misled by it, we are not now called upon to decide, in view of the firmly established principle that a defendant in an infringement suit may not raise the issue of fraud or deceit in the obtaining of the patent.⁷

This view continued to have adherents, even in the Supreme Court, through 1944.⁸ As will be seen, the doctrine of inequitable conduct arose more from a growing hostility to patents as monopolies than it did from a new-found abhorrence of fraud.

A. *The Patent Acts of 1790 and 1793*

The Patent Act of 1790⁹ authorized private actions to seek repeal of a patent procured by fraud. Section 5 of the 1790 Act provided:

And be it further enacted, that upon oath or affirmation made before the judge of the District Court, where the defendant resides, that any patent which shall be issued in pursuance of this act, was obtained surreptitiously by, or upon false suggestion, and motion made to the said Court, within one

5. W. PAGE KEETON ET AL., PROSSER AND KEETON ON THE LAW OF TORTS § 105, at 728, 731-32 (5th ed. 1984).

6. 33 F.2d 302 (D.Md. 1929).

7. *Id.* at 310.

8. *See Hazel-Atlas Co. v. Hartford Co.*, 322 U.S. 238, 270 (1944) (Roberts, J., dissenting).

9. Act of Apr. 10, 1790, ch. 7, 1 Stat. 109 (1790).

year after issuing the said patent, but not afterwards, it shall and may be lawful to and for the judge of the said District Court, if the matter alleged shall appear to him to be sufficient . . . to repeal such patents¹⁰

Unsuccessful plaintiffs were required to "pay all such costs as the defendant shall be put to in defending the suit."¹¹

The Patent Act of 1793¹² extended the filing period for these private actions to three years after issuance of the patent, but otherwise retained the language of the 1790 Act regarding the authorization of private actions.¹³ More notably, the 1793 statute watered down the requirement that a patent application be examined before it was issued.¹⁴ However, the applicant was required to make oath concerning his entitlement to the patent.¹⁵ The question of whether the patent had been obtained "surreptitiously, or upon false suggestion" was apparently to be left to subsequent litigation.

B. The Patent Act of 1836

The system of issuing patents without significant examination did not work. An 1836 Senate Committee report found, *inter alia*, that the system led to fraud by would-be patentees:

1. A considerable portion of some of the patents granted are worthless and void, as conflicting and infringing upon one another, or upon public rights not subject to patent privileges, arising from either a want of due attention to the specification of claim, or from the ignorance of the patentees of the state of the arts and manufacturers, and of the inventions made in other countries, and even in our own.

. . .

10. § 5, 1 Stat. at 111.

11. *Id.*

12. Act of Feb. 21, 1793, ch. 11, 1 Stat. 318 (1793).

13. See § 10, 1 Stat. at 323.

14. Section 1 of the 1790 Act required "the Secretary of State, the Secretary for the Department of War, and the Attorney-General, or any two of them [to] deem the invention or discovery sufficiently useful and important" whereas Sections 1 and 3 of the 1793 Act authorized issue of a patent on the filing of sworn petition, description of the invention, and examination by only the Attorney General.

15. *Id.* § 3.

4. It opens the door to frauds, which have already become extensive and serious.¹⁶

The Patent Act of 1836 established the Patent Office and charged it with the examination of patent applications.¹⁷ This required the Patent Office to assess the merits of an applicant's contentions about the prior art and "the part, improvement, or combination, which he claims as his own invention or discovery."¹⁸ The oath requirement was continued.¹⁹

The 1836 Patent Act eliminated the provision authorizing an action to repeal an issued patent. However, the statute allowed an accused infringer sued in an action at law to assert that the patent had been improperly obtained.²⁰ Nevertheless, early Supreme Court decisions adopted a very restrictive view of a litigant's ability to challenge fraudulent patent procurement.

In *Rubber Company v. Goodyear*,²¹ the Court held that a private litigant suing for infringement in equity, rather than at law, could not assert the defense of fraudulent procurement. The Court based its decision on the absence of a repeal provision in the 1836 Act and on English precedent, under which only the Crown could seek cancellation of letters patent through a writ of *scire facias*.²² Finally, the patent being challenged in *Goodyear* was an extension of an earlier issued patent, issued pursuant to Section 18 of the 1836 Act.²³ Because that section did not itself provide for challenges to the grant of an extension on the grounds of fraud, the Court ruled:

We are not, therefore, at liberty to enter upon the examination of the evidences of fraud to which we have been invited by the counsel for the appellants. The door to that inquiry in this case is closed upon us by the hand of the law.²⁴

16. *The Patent Act of 1836*, 1 J. PAT. OFF. SOC'Y 203, 205 (1919) reprinted in *OUTLINE OF THE HISTORY OF THE UNITED STATES PATENT OFFICE*, 91, 93-94 in 18 J. PAT. OFF. SOC'Y, no.7 (1936).

17. Patent Act of 1836, Ch. 357, §§ 1, 7, 5 Stat. 117 (1836).

18. *Id.* §§ 6, 7.

19. *Id.* § 6.

20. *Id.* § 15.

21. 76 U.S. (9 Wall.) 788 (1869).

22. *Id.* at 796-97.

23. Under the 1836 Act, a patent term was 14 years. Prior to the expiration, the patent owner could apply for a 7-year extension of that term. Patent Act of 1836 §§ 5, 18.

24. 76 U.S. (9 Wall.) at 798.

Similarly, in *Mowry v. Whitney*,²⁵ an accused infringer sued in equity, alleging that the patent owner had obtained an extension of his patent through fraud and seeking that the patent be declared void as of its original expiration date.²⁶ The Supreme Court affirmed the dismissal of the bill,²⁷ holding that "no one but the government . . . can institute judicial proceedings for the purpose of vacating or rescinding the patent which the government has issued to an individual."²⁸

C. *The Consolidated Patent Act of 1870*

The next major revision of the patent statute was the Consolidated Patent Act of 1870.²⁹ Section 61 of the Act again enumerated defenses to a suit for patent infringement, including:

First. That for the purpose of deceiving the public the description and specification filed by the patentee in the patent office was made to contain less than the whole truth relative to his invention or discovery, or more than is necessary to produce the desired effect; or,

Second. That he had surreptitiously or unjustly obtained the patent for that which was in fact invented by another,

25. 81 U.S. (14 Wall.) 434 (1871).

26. *Id.* at 437. A patent infringement action in equity was then pending between the parties in another District.

27. The Court reasoned:

1. The fraud, if one exists, has been practiced on the government, and as the party injured, it is the appropriate party to assert the remedy or seek relief. 2. A suit by an individual could only be conclusive in result as between the patentee and the party suing, and it would remain a valid instrument as to all others. 3. The patentee would or might be subjected to innumerable vexatious suits to set aside his patent, since a decree in his favor in one suit would be no bar to a suit by another party.

Id. at 441.

Later cases to the same effect are *Carson Inv. Co. v. Anaconda Copper Mining Co.*, 26 F.2d 651, 660 (9th Cir.), *cert. denied*, 278 U.S. 635 (1928), and *Steinfur Patents Corp. v. J. Meyerson, Inc.*, 56 F.2d 372, 381 (E.D.N.Y. 1931), *modified*, 62 F.2d 238 (2d Cir. 1932).

28. 81 U.S. (14 Wall.) at 439.

29. 16 Stat. 198 (1870).

who was using reasonable diligence in adapting and perfecting the same³⁰

The statute made plain, moreover, that "the like defenses may be pleaded in any suit in equity for relief against an alleged infringement"³¹

In *United States v. Bell Telephone Co.*,³² the Supreme Court expressly recognized the power of the Government to sue in equity to void a patent that had been obtained by fraud,³³ a power which was alluded to in dicta in *Mowry v. Whitney*.³⁴ In opposing the Government's claim, Bell Telephone asserted, *inter alia*, that the sole remedy for fraudulent procurement was a defense to a charge of infringement based on R.S. § 4920. The Court rejected this argument on several grounds, among them that the statute

[does] not in any general form declare that a person sued for an infringement of a patent may set up as a defence that it was procured by fraud or deceit, [but rather] in effect specify[ies] various acts of fraud which the infringer may rely upon as a defence to a suit against him founded upon that instrument.³⁵

The late 1880's, when *Bell Telephone Co.* was decided, was a period when laissez-faire capitalism was giving way to a growing hostility to the concentrated economic power of industrial trusts. There was a widespread demand for government action to curb the more abusive and monopolistic power of large companies, culminating in the passage of the Sherman Act in 1890 and the Clayton Act in 1914.³⁶ The exclusive economic rights conferred by the patent grant were not immune from these changing attitudes. The *Bell Telephone Co.* Court vigorously asserted that because the government "ha[d] taken from the public rights of immense value and bestowed them upon the patentee" and because it was the government that

30. *Id.* at 208.

31. *Id.* Section 61 of the 1870 Act became Section 4920 of The Revised Statutes, enacted in 1874, and Section 69 of Title 35 of the United States Code in 1925.

32. 128 U.S. 315 (1888).

33. *Id.* at 368-70.

34. 81 U.S. (14 Wall.) 434 (1871).

35. 128 U.S. at 371-72.

36. See generally 1 VON KALINOWSKI, ANTITRUST LAWS AND TRADE REGULATION §§ 2.02[2]-[3] (1969, revised 1992).

had been deceived and misled, that it was appropriate for the government to be the party to secure a remedy in the case.³⁷

Nevertheless, through the 1930's, courts continued to be unsympathetic to the defense that patent rights, however they burdened the public, had been procured by fraud. First, a high threshold of proof was required. The Supreme Court made plain in a second suit by the United States against the Bell Telephone Company that even the Government would be held to a strict standard of proof in any subsequent attacks on issued patents.³⁸

Accused infringers faced the same burden, viewed more strictly because of their own inequitable position. For example, in *Celluloid Manufacturing Co. v. Russell*,³⁹ the court stated that:

It is seldom that a patent has been overthrown under [R.S. 4920]. It is not sufficient that the specification contains less than the whole truth, but the omission must have been made with intent to deceive the public. . . . The burden is upon the defendants to prove the defense, and they have failed to do so. . . . There is hardly a controversy upon the question of infringement. A construction of the patent which would enable the defendants to escape the charge would be illiberal, and one unwarranted by the proof.⁴⁰

The courts also required a defendant to show that the misstatement to the Patent Office was material to the grant of the patent. For example, in *Burke Electric Co. v. Independent Pneumatic Tool Co.*,⁴¹ Judge Hand

37. 128 U.S. at 370. One of the distinctions discussed by the Court in this case and in *Mowry* between a suit by the Government and a suit by a private party was that a judgment of invalidity in a private suit would not prevent the patent owner from suing others who were not parties to that suit. *Mowry*, 81 U.S. (14 Wall.) at 441; *Bell Telephone*, 128 U.S. at 372. This distinction is no longer true. In *Blonder-Tongue v. Univ. Found.*, 402 U.S. 313 (1971), the Supreme Court held that a patent owner whose patent is held invalid in a final judgment is collaterally estopped from asserting that patent again. The *Blonder-Tongue* rule also applies to final judgments of unenforceability for inequitable conduct. See *id.* at 343, 347 (citing *Precision Co. v. Automotive Co.*, 324 U.S. 806, 816 (1945)).

38. *United States v. Bell Tel. Co.*, 167 U.S. 224, 262 (1897). The Government had accused American Bell Telephone of having delayed for 13 years the prosecution of an improvement patent on the telephone until the expiration of Bell's original patent for the purpose of illegally extending the time of its monopoly on telephone technology. The Court found that the Government had failed to prove its allegation.

39. 37 F. 676 (C.C.S.D.N.Y. 1889).

40. *Id.* at 679.

41. 232 F. 145 (2d Cir. 1916).

added to his finding of no intent to deceive a finding that the misstatement, if any, was not material because it did not concern the structure of the motor (the subject of the patent claims) but rather the way that the motor would perform.⁴²

In *Corona Co. v. Dovan Corp.*,⁴³ the Supreme Court implied that the required materiality was not satisfied unless the patent would not have issued but for the misrepresentation.⁴⁴ Although the affidavits misstated the extent to which the claimed invention had been tested,⁴⁵ the Court found that the misstatements were of no moment because they did not form the basis for the patent having issued.⁴⁶

D. The Birth of the Inequitable Conduct Doctrine

Although the law had remained static with respect to the defense of fraud in obtaining a patent, courts were developing a doctrine of unenforceability for patent misuse in the wake of the antitrust laws. In *Motion Picture Co. v. Universal Film Co.*,⁴⁷ the Supreme Court held that a patent owner may not require a licensed user of a patented machine to purchase unpatented films that are not part of the machine.⁴⁸ In *Carbice Corp. v. American Patents Corp.*,⁴⁹ the Court extended this to unpatented goods that formed part of a patented combination, here the dry ice claimed as part of the patented refrigerating "transportation packages."⁵⁰ And, in *Morton Salt Co. v. Suppiger Co.*,⁵¹ the Court barred prosecution of a suit against an infringer who was not a competitor with the patent owner in the sale

42. *Id.* at 147.

43. 276 U.S. 358 (1928).

44. *Id.* at 373.

45. *Id.* at 373-74. The patent at issue was for a chemical ("D.P.G.") that accelerated the vulcanization of rubber. The patent applicant submitted affidavits during prosecution asserting that, as of a critical date, the compound had been tested and "the accelerator proved to be highly efficient in the actual vulcanization of rubber goods, such as hose, tires, belts, valves and other mechanical goods." *Id.* at 373. It was found, however, "that the only rubber Weiss made during the early part of the year 1919 from D.P.G. was test slabs of rubber in which D.P.G. was the accelerator, and that in fact neither he nor anybody in the Rubber Company had vulcanized rubber goods, as Daniels described them, before the Kratz publication." *Id.* at 373-74.

46. *Id.* at 374. In finding the patent valid, the Court stated: "[p]roduction of rubber-goods for use or sale was not indispensable to the granting of the patent. Hence the affidavits, though perhaps reckless, were not the basis for it or essentially material to its issue." *Id.*

47. 243 U.S. 502 (1917).

48. *Id.* at 516.

49. 283 U.S. 27 (1931).

50. *Id.* at 34-35.

51. 314 U.S. 488 (1942).

of the unpatented product.⁵²

In *Morton Salt Co.*, the Court noted the public interest in "the special privilege of a patent monopoly"⁵³ and stated:

It is the adverse effect upon the public interest of a successful infringement suit, in conjunction with the patentee's course of conduct, which disqualifies him to maintain the suit, regardless of whether the particular defendant has suffered from the misuse of the patent.⁵⁴

The Court also stated, more generally:

It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest.⁵⁵

But what of the situation where the patent owner *obtained* the asserted right contrary to public policy, for example, by fraud or inequitable conduct? In *Keystone Driller Co. v. General Excavator Co.*⁵⁶ and *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*,⁵⁷ the Supreme Court, faced with fraud on the Patent Office, focused instead on the effect of this fraud on the judicial process. The Court denied relief to the patent owners in both cases.

In *Keystone Driller*, plaintiff (Keystone) had obtained a patent despite knowledge of a possibly invalidating prior use. Later, Keystone agreed with the prior user (Clutter) to suppress evidence of this use. Keystone then prevailed in a first patent infringement suit (the Byers case) and relied on this victory in a second suit. Before trial on the merits in the second case, facts were discovered concerning the suppression of evidence.⁵⁸

The district court had ruled that this misconduct, which had occurred at and before the preliminary injunction stage of the second case, "had no

52. *Id.* at 493-94.

53. *Id.* at 492.

54. *Id.* at 494.

55. *Id.* at 492.

56. 290 U.S. 240 (1933).

57. 322 U.S. 238 (1944).

58. 290 U.S. at 241-44.

bearing upon the merits."⁵⁹ The court of appeals had reversed on the general principle that a party seeking equitable relief must come to court with clean hands.⁶⁰ The Supreme Court affirmed the dismissal of the second case. The Court, relying on general principles of equity, stated:

This Court has declared: "It is a principle in chancery, that he who asks relief must have acted in good faith. The equitable powers of this court can never be exerted in behalf of one who has acted fraudulently or who by deceit or any unfair means has gained an advantage. To aid a party in such a case would make this court the abetter of iniquity."⁶¹

The Court rejected Keystone's assertion that the earlier fraud in the first case was unrelated to the case on appeal:

Had the corruption of Clutter been disclosed at the trial of the Byers case, the court undoubtedly would have been warranted in holding it sufficient to require dismissal of the cause of action there alleged for the infringement of the Downie patent. Promptly after the decision in that case plaintiff brought these suits and immediately applied for injunctions *pendente lite*. It used the decree of validity there obtained in support, if not indeed as the basis, of its applications. And plaintiff's misconduct in the Byers suit remaining undisclosed, that decree was given weight on the motions for preliminary injunctions.⁶²

The Court did not discuss whether this hypothetical dismissal would have been based on the concealment of the possible prior use from the Patent Office, which concealment also would have violated R.S. 4920.

In *Hazel-Atlas*, the patent owner (Hartford) and its attorneys wrote and arranged for publication of a trade journal article signed by an ostensibly disinterested expert who praised their device as a great breakthrough in the art. The article was submitted to the Patent Office and overcame what

59. *Id.* at 244.

60. *Id.* at 241, 244.

61. *Id.* at 245.

62. *Id.* at 246.

had been up to that point "apparently insurmountable Patent Office opposition."⁶³ Hartford successfully asserted the patent in litigation against Hazel-Atlas that ran from 1928 to 1932. The fraud was discovered in 1941 during a government antitrust suit against Hartford.⁶⁴

The Supreme Court held that the circuit court had both the power and the duty to vacate its 1932 affirmance of the district court judgment for Hartford:

The question remains as to what disposition should be made of this case. Hartford's fraud, hidden for years but now admitted, had its genesis in the plan to publish an article for the deliberate purpose of deceiving the Patent Office. The plan was executed, and the article was put to fraudulent use in the Patent Office, contrary to law. From there the trail of fraud continued without break through the District Court and up to the Circuit Court of Appeals. Had the District Court learned of the fraud on the Patent Office at the original infringement trial, it would have been warranted in dismissing Hartford's case. . . . So, also, could the Circuit Court of Appeals have dismissed the appeal had it been aware of Hartford's corrupt activities in suppressing the truth concerning the authorship of the article. The total effect of all this fraud, practiced both on the Patent Office and the courts, calls for nothing less than a complete denial of relief to Hartford for the claimed infringement of the patent thereby procured and enforced.⁶⁵

The Court then partially overruled its 1888 decision that a patent could only be vacated in a suit brought by the Government:

To grant full protection to the public against a patent obtained by fraud, that patent must be vacated. It has previously been decided that such a remedy is not available in infringement proceedings, but can only be accomplished in a direct proceeding brought by the Government.⁶⁶

63. 322 U.S. at 240.

64. *Id.* at 241-43.

65. *Id.* at 250 (citations omitted).

66. *Id.* at 251.

Three Justices dissented. Justice Roberts challenged the vacatur of the 1932 judgment without additional hearings in the district court on the question of remedy. He also reasserted the view that an infringer should not be heard to assert fraud on the Patent Office as a defense:

As I read the opinion of the court, it disregards the contents of many of the affidavits filed in the cause and holds that solely because of the fraud which was practiced on the Patent Office and in litigation on the patent, the owner of the patent is to be amerced and in effect fined for the benefit of the other party to the suit, although that other comes with unclean hands and stands adjudged a party to a conspiracy to benefit over a period of twelve years under the aegis of the very patent it now attacks for fraud. To disregard these considerations, to preclude inquiry concerning these matters, is recklessly to punish one wrongdoer for the benefit of another, although punishment has no place in this proceeding.⁶⁷

A year later, in *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*,⁶⁸ the Court faced the fraud issue squarely. The patent owner (Automotive) had been in an interference involving an application filed by one of its employees (Zimmerman) and Larson, an officer and founder of Precision Instrument Co. (Precision). During the discovery phase of the interference, it was learned that Larson had prosecuted the interference by fraud, submitting false affidavits about the dates of conception and disclosure and other facts. In addition, it was also learned that Larson was not the actual inventor of his claimed invention, but had worked surreptitiously with an employee of Automotive (Thomasma), who had himself been working with Zimmerman.⁶⁹

After these facts were discovered, Precision and Automotive settled the interference. As part of the settlement, Automotive received an assignment of the Larson patent applications. After certain amendments, Automotive received patents on both the Larson and Zimmerman applications. The patents were asserted in litigation against a later infringement

67. *Id.* at 270 (Roberts, J. dissenting) (footnote omitted).

68. 324 U.S. 806 (1945).

69. *Id.* at 808-12.

by Precision.⁷⁰

The district court accepted Precision's assertion that Automotive "possessed such 'unclean hands' as to foreclose its right to enforce the patents" and related contracts. The court of appeals reversed. The Supreme Court granted certiorari "because of the public importance of the issues involved."⁷¹

Justice Murphy's opinion for a 7-2 majority began with a discussion of the "clean hands" doctrine. The Court stated that the doctrine takes on additional importance where the public interest is at stake:

Moreover, where a suit in equity concerns the public interest as well as the private interests of the litigants this doctrine assumes even wider and more significant proportions. For if an equity court properly uses the maxim to withhold its assistance in such a case it not only prevents a wrongdoer from enjoying the fruits of his transgression but averts an injury to the public. The determination of when the maxim should be applied to bar this type of suit thus becomes of vital significance.⁷²

The Court's discussion of the public interest relating to patents is consistent with the anti-monopoly tenor of the times:

A patent by its very nature is affected with a public interest. As recognized by the Constitution, it is a special privilege designed to serve the public purpose of promoting the 'Progress of Science and useful Arts.' At the same time, a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.⁷³

70. *Id.* at 812-14.

71. *Id.* at 807-08.

72. *Id.* at 815.

73. *Id.* at 816.

Automotive was found to have acted "in disregard of the public interest" when it failed to disclose Larson's fraud to the Patent Office.⁷⁴ Thus, in a striking departure from the *Corona* decision, the Court formulated a standard of equitable conduct for patent applicants:

Those 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 inequity underlying the applications in issue. This duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the "mute and helpless victims of deception and fraud."⁷⁵

The *Precision* Court made plain that the balance of the public interest lay not in protecting the patentee against "innumerable vexatious suits"⁷⁶ as it had in 1871,⁷⁷ but in protecting the public from the anti-competitive effects of the patent monopoly. Even an infringer who had itself participated in the fraud on the Patent Office (as had *Precision*) was now authorized, indeed encouraged, to assert the defense.

74. *Id.*

75. *Id.* at 818 (citation omitted).

76. *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965).

77. *Mowry v. Whitney*, 81 U.S. (14 Wall.) 434 (1871).

II. DEVELOPMENT OF THE INEQUITABLE CONDUCT DOCTRINE IN THE CIRCUIT COURTS: 1945-1982

A. The Absence of a Clear Standard

Although the Supreme Court had established an "uncompromising duty" for patent applicants to report "possible fraud or inequitableness" to the Patent Office, and to disclose "all facts relevant to such matters,"⁷⁸ the Court offered little guidance as to what the duty encompassed. In particular, what conduct, if any, violated the duty while falling short of "inequitableness" and fraudulent misrepresentation, a tort whose elements were well established?⁷⁹

The Patent Statute then in effect set a standard only in the most general terms. R.S. 4920 (35 U.S.C. § 69) provided a defense to a charge of infringement where the specification contained "less than the whole truth" only when the patent owner had acted with "the purpose of deceiving the public" or where the patent had been obtained "surreptitiously or unjustly."⁸⁰ But, as seen in the preceding section, there was scant precedent interpreting any of these phrases.

Even this level of legislative specificity was withdrawn with the passage of the 1952 revisions to the patent statute.⁸¹ Section 282 of the new statute enumerated defenses without specifying their elements: "The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: (1) Noninfringement, absence of liability for infringement, or unenforceability. . . ."⁸²

The legislative history contains little discussion of this provision. The Reviser's Note states that: "The five defenses named in R.S. 4920 are omitted and replaced by a broader paragraph specifying defenses in general terms."⁸³ The House Report on the Act similarly states that: "The defenses to a suit for infringement are stated in general terms, changing the language in the present statute, but not materially changing the sub-

78. *Precision Co. v. Automotive Co.*, 324 U.S. 806, 818 (1945).

79. See RESTATEMENT (SECOND) OF TORTS § 525, cmt. ff (1977).

80. Consolidated Patent Act of 1870, § 61, 16 Stat. 198 (1870).

81. 66 Stat. 792 (July 19, 1952) (codified at 35 U.S.C. § 1 et seq. (1952)) (effective Jan. 1, 1953).

82. 35 U.S.C. § 282.

83. Reviser's Note to the 1952 Patent Act, 35 U.S.C. § 282 (1952).

stance."⁸⁴ The House Hearings on the Act contain only two passing references to the provision on defenses, neither of which discuss the scope of inequitable conduct.⁸⁵

Moreover, the Patent Office did not elucidate a standard. On March 1, 1949, the Rules of Practice in Patent Cases were adopted, and codified in volume 37 of the Code of Federal Regulations. Rule 56 prohibited fraud but said nothing about inequitable conduct.⁸⁶

Finally, with the exception of the *Walker Process* decision in 1965,⁸⁷ the Supreme Court fell silent on the issues of fraud and inequitable conduct. Accordingly, the law of inequitable conduct was left to develop on a case-by-case basis in the circuit courts.

B. The Early Standards Applied by the Courts

The decisions early in this period acknowledged a tendency to broaden the scope of attacking a patent for fraud on the Patent Office on the grounds of public policy,⁸⁸ but the elements required by the courts created three serious hurdles for parties asserting the defense.

First, courts required that the proof of fraud be "clear, convincing and unequivocal," relying in part upon the second *United States v. Bell Telephone Co.* case.⁸⁹

Second, courts required that the alleged misconduct be intentional.⁹⁰

84. H.R. Rep. No. 1923, 82d Cong., 2d Sess. 10 (1952).

85. *Hearings Before Subcomm. No. 3 of the House Comm. on the Judiciary on H.R. 3760*, 82d Cong., 1st Sess. 46, 108 (1951).

86. 37 C.F.R. § 1.56 (1951).

87. *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 at 176-78 (1965). In *Walker Process*, the Court held that the enforcement of a patent procured by fraud may violate the antitrust statutes, providing the infringement defendant with a counterclaim for treble damages, if the other elements of an antitrust monopolization case are present. *Id.* at 176-78.

88. *Becton-Dickinson & Co. v. Robert P. Scherer Corp.*, 106 F. Supp. 665, 670 (E.D. Mich. 1952), *aff'd*, 211 F.2d 835 (6th Cir. 1954).

89. 167 U.S. 224, 262 (1897); see also *Abington Textile Mach. Works v. Carding Specialists (Can.) Ltd.*, 249 F. Supp. 823, 839 (D.D.C. 1965); *Corning Glass Works v. Anchor Hocking Glass Corp.*, 253 F. Supp. 461, 471 (D.Del. 1966), *aff'd in part and rev'd in part*, 374 F.2d 473 (3d Cir.), *cert. denied*, 389 U.S. 826 (1967); *Clark v. Ace Rubber Prod.*, 108 F. Supp. 200, 205 (N.D. Ohio 1952); *Martin v. Ford Alexander Corp.*, 160 F. Supp. 670, 685 (S.D. Cal. 1958).

90. See, e.g., *United States v. Standard Elec. Time Co.*, 155 F. Supp. 949 (D. Mass. 1957); *Corning Glass Works v. Anchor Hocking Glass Corp.*, 253 F. Supp. 461, 470-71 (D. Del. 1966); *A. H. Emery Co. v. Marcan Prod. Corp.*, 389 F.2d 11, 18-19 (2d Cir.), *cert. denied*, 393 U.S. 953 (1968); *National Dairy Prod. Corp. v. Borden Co.*, 394 F.2d 887, 891 n.9 (7th Cir.), *cert. denied*, 393 U.S. 953 (1968); *Kolene Corp. v. Motor City Metal Treating, Inc.*, 307 F. Supp. 1251, 1263 (E.D. Mich. 1969), *aff'd*, 440 F.2d 77

In particular, evidence that the applicant or his attorney acted in what either of them believed to be good faith was frequently enough to defeat an assertion of intentional misconduct. For example, in *Clark v. Ace Rubber Prods.*, the defense was rejected where the attorney prosecuting the patent had no knowledge of an invalidating prior use and where the patent applicant believed that the assertion in his affidavit that "[p]rior to my invention, no one so far as I know' [has ever made the claimed product]" meant no one other than himself.⁹¹

Similarly, in *Martin v. Ford Alexander Corp.*,⁹² the patent applicant had submitted an affidavit which stated: "To the best of my knowledge and belief, there is no other device or instrumentality other than the Magna-Tector which is available to the oil industry with which the freeze point of pipe can be located with a high degree of accuracy."⁹³ The affidavits not only were qualified with what the court termed "weasel words," but they were also incorrect. Nevertheless, the court refused to find unenforceability because the person who caused the affidavit to be filed did not actually believe it to be false. The court required scienter "[i]n a matter of this character, as in all matters relating to fraud."⁹⁴ Thus, although courts sometimes stated that intent might properly be inferred from the actions of the applicant or his attorney,⁹⁵ they rarely made the inference.

Third, following the analysis of the pre-1945 cases,⁹⁶ courts set a difficult standard of materiality and required that, but for the misstatements to the Patent Office, the patent would not have issued.

Two different "but-for" standards evolved. Under the subjective "but-for" test, the court considered the facts of the patent prosecution and tried to decide whether the misrepresentation caused the Patent Examiner to issue the claims. For example, in *Marks v. Polaroid Corp.*,⁹⁷ the court

(6th Cir. 1970), *cert. denied*, 404 U.S. 886 (1971).

91. 108 F. Supp. 200, 205 (N.D. Ohio 1952).

92. 160 F. Supp. 670 (S.D. Cal. 1958).

93. *Id.* at 685.

94. *Id.*

95. *See, e.g.*, *Baldwin-Lima-Hamilton Corp. v. Tatnall Measurement Sys. Co.*, 169 F. Supp. 1, 24 (E.D. Pa. 1958), *aff'd*, 268 F.2d 395 (3d Cir. 1959), *cert. denied*, 361 U.S. 894 (1959); *Abington Textile Mach. Works v. Carding Specialists (Can.) Ltd.*, 249 F. Supp. 823, 839 (D.D.C. 1965).

96. *See Corona Co. v. Dovan Corp.*, 276 U.S. 358, 374 (1928); *Keystone Co. v. Excavator Co.*, 290 U.S. 240, 245 (1933); *Burke Electric Co. v. Independent Pneumatic Tool Co.*, 232 F. 145 (2d Cir. 1916).

97. 129 F. Supp. 245 (D. Mass. 1955), *aff'd*, 237 F.2d 428 (1st Cir. 1956), *cert. denied*, 352 U.S. 1005 (1957).

found that the patent applicant had misrepresented an important parameter relating to the superior properties of its synthetic light polarizers compared to polarizers in the prior art. The alleged infringer asserted that this misrepresentation was important to the allowance of the claims.⁹⁸ However, the court stated: "But from a broad consideration of the file wrapper of the patent as a whole, I believe that the statement complained of, although factually untrue . . . did not deceive or mislead the examiner in his consideration of the patentability of the application pending before him."⁹⁹

Other courts stated an objective "but-for" standard under which the test for whether art should have been cited is whether it would have made an otherwise patentable invention unpatentable.¹⁰⁰ For example in the Supreme Court's decision in *Walker*, the applicant was alleged to have withheld evidence of prior uses. In finding that the allegations if true would have defeated the patent, the Supreme Court found no need to consider the actual effect of the art on the particular examiner who considered the application.¹⁰¹

C. The Scope of the Defense Expands

1. Materiality and the Duty of Disclosure

The Court in *Precision* made plain that out-and-out lying to the Patent Office would not be tolerated.¹⁰² Courts following *Precision* had little

98. *Id.* at 268.

99. *Id.* The subjective but-for test was also employed in *Baldwin-Lima-Hamilton Corp. v. Tamall Measurement Sys. Co.*, 169 F. Supp. 1 (E.D.Pa. 1958) (finding unenforceability if falsity induced grant), *aff'd*, 268 F.2d 395 (3d Cir.), *cert. denied*, 361 U.S. 894 (1959); *Waterman-Bic Pen Corp. v. W.A. Sheaffer Pen Co.*, 267 F. Supp. 849 (D.Del. 1967); *Foundry Equip. Co. v. Carl-Mayer Corp.*, 128 F. Supp. 640 (N.D. Ohio 1955), *aff'd*, 233 F.2d 179 (6th Cir. 1956); *Martin v. Ford Alexander Corp.*, 160 F. Supp. 670 (S.D. Cal. 1958) (no unenforceability if examiner never used misrepresented references to overcome objection); and *Rolls-Royce Ltd., Derby, England v. United States*, 339 F.2d 654 (Ct. Cl. 1964).

100. *See, e.g., United States v. Standard Elec. Time Co.*, 155 F. Supp. 949, 952-53 (D. Mass. 1957); *Admiral Corp. v. Zenith Radio Corp.*, 296 F.2d 708, 716-17 (10th Cir. 1961); *Tractor Supply Co. v. International Harvester Co.*, 155 U.S.P.Q. 420, 433-34 (N.D. Ill. 1967), *modified*, 406 F.2d 53 (7th Cir. 1968); *Wen Prods., Inc. v. Portable Elec. Tools, Inc.*, 367 F.2d 764, 767 (7th Cir. 1966) (misrepresentation embodying use of claims is material); *Ransburg Electro-Coating Corp. v. Nordson Corp.*, 293 F. Supp. 448 (N.D. Ill. 1968); *McCulloch Motors Corp. v. Oregon Saw Chain Corp.*, 245 F. Supp. 851, 856-57 (S.D. Cal. 1965).

101. 382 U.S. 172, 174-75 (1965).

102. *Precision Co. v. Automotive Co.*, 324 U.S. 806, 816 (1945).

trouble finding unenforceability where a patent owner had signed a false oath, filed false or misleading affidavit evidence, or had affirmatively misrepresented the prior art.¹⁰³ But what about the situation where the patent applicant, instead of speaking falsely, said nothing and simply failed to disclose prior art? Under the Restatement of Torts, this would constitute fraudulent misrepresentation if the other elements of the tort were proved.¹⁰⁴

Originally, however, a patent applicant was held not to have a duty to disclose anything beyond prior art that would completely anticipate the claimed invention. In the first *United States v. Bell Telephone* case, the Supreme Court stated:

It seems to us that if Bell was aware, at the time that he filed his specifications, asserted his claims, and procured his patents that the same matter had been previously discovered and put into operation by other persons, he was guilty of such a fraud upon the public that the monopoly which these patents grant to him ought to be revoked and annulled. . . .

It is a fraud of obtaining a patent for an invention of which the party knew he was not the original inventor. This priority of invention is an essential element. It is absolutely necessary to the right to have such a patent, and can in no case be dispensed with.¹⁰⁵

At that time (1888), the only statutory bars to patentability related to anticipation. Following this decision, courts in the 1950's and 1960's generally confined the duty to disclose to anticipatory art.¹⁰⁶ In *United States v. Standard Electric Time*,¹⁰⁷ a district court expanded the duty to disclose art ever so slightly to encompass art "so close" that "every

103. See, e.g., *A. H. Emery Co. v. Marcan Prods. Corp.*, 389 F.2d 11, 17 (2d Cir.) (false oath), cert. denied, 393 U.S. 835 (1968); *Timely Prods. Corp. v. Arron*, 523 F.2d 288, 298 (2d Cir. 1975) (fraudulent affidavit regarding priority date); *Monsanto Co. v. Rohm & Haas Co.*, 456 F.2d 592 (3d Cir.) (misleading affidavit regarding test data), cert. denied, 407 U.S. 934 (1972).

104. RESTATEMENT (SECOND) OF TORTS §§ 550, 551 (1977).

105. 128 U.S. 315, 355 (1888).

106. See, e.g., *W.E. Pilechaty Co. v. Heckett Eng'g*, 145 F. Supp. 805 (N.D. Ohio 1956) (patent unenforceable when patentee failed to disclose its own anticipatory foreign patent); *Oglebay Norton Co. v. Universal Refractories Corp.*, 300 F. Supp. 1106 (E.D. Wis. 1969) (no duty to disclose non-anticipatory prior art or art less pertinent than that cited by examiner).

107. 155 F. Supp. 949 (D. Mass. 1957).

reasonable man" would find it anticipatory:

There has been no showing that under any statute, or rule of the Patent Office, or professional custom, or canon of ethics there is any explicit or implicit obligation resting upon an applicant for a patent or his solicitor to disclose to the Patent Office all the material which he has used in evolving the invention he claims. . . .

Of course, a putative inventor must disclose any printed publication which he either knows or believes describes the very invention claimed. More than this, if he knows of a printed publication which plainly describes his claimed invention, or comes so close thereto that every reasonable man would say the invention claimed was not original but had been anticipated, then regardless of his personal view that he is the original inventor, he will not be excused for his failure to disclose his knowledge. But the applicant has no duty to cite every publication of which he knows, or which he has used, merely because the publication is one likely to be referred to by a vigilant examiner in the Patent Office, or by a rival in an interference or other proceeding. It is not the object of the quoted statute or rule to supply all available evidence to the Patent Office, or to force the applicant to set up what he regards in good faith as straw men which he reasonably and in good faith believes he can knock down.¹⁰⁸

The 1952 statute added a second statutory requirement of patentability: non-obvious subject matter.¹⁰⁹ The expansion of the duty of disclosure can be seen as a response to the non-obviousness standard, particularly after the Supreme Court's 1966 decision in *Graham v. John Deere Co.*¹¹⁰ focused the obviousness analysis on "the scope and content of the prior art,"¹¹¹ rather than on judicially-created tests such as synergism or unexpected results.

Courts at about this time also began to recognize that, notwithstanding the search facilities and presumed expertise of the patent examiners, there

108. *Id.* at 952 (citation omitted).

109. 35 U.S.C. § 103 (1993).

110. 383 U.S. 1 (1966).

111. *Id.* at 17.

were facts singularly within the applicant's control. For example, the applicant controls access to facts relating to prior uses or sale of the claimed invention. Courts held applicants to a higher standard of disclosure for these types of facts. Compare *Triumph Hosiery Mills, Inc. v. Alamance Industries, Inc.*,¹¹² in which the patent was held invalid where applicant failed to disclose a commercial product closer to the claimed invention than any of the patents cited in prosecution, with *Admiral Corp. v. Zenith Radio Corp.*, where the court found no inequitable conduct in the failure to disclose a prior art patent.¹¹³

In time, courts began to find that applicants had a duty to bring "highly relevant" publications and patents to the attention of the Patent Office, particularly where there was clear proof that an applicant knew of the patents and their significance.¹¹⁴ A related line of cases found inequitable conduct where, rather than cite art, an applicant amended the pending claims to distinguish over the art, but then concealed it.¹¹⁵ Other decisions held that the duty of disclosure required the applicant to correct an examiner who had an incorrect understanding of the prior art.¹¹⁶

In *Beckman Instruments, Inc. v. Chemtronics, Inc.*,¹¹⁷ the Fifth Circuit reversed findings of patent validity and absence of fraud. The district court had accepted the patent owner's construction of the claims to find a patentable distinction over the undisclosed prior art, a public speech and published article describing the same structure claimed, albeit for a different use. Based on this, the court stated:

Inasmuch as the Clark patent in suit is determined to be valid and represent a patentable invention over the prior art of

112. 191 F. Supp. 652, 655-56 (M.D.N.C. 1961), *aff'd*, 299 F.2d 793 (4th Cir. 1962), *cert. denied*, 370 U.S. 924 (1962).

113. 296 F.2d 708, 716-17 (10th Cir. 1961) ("This is not a case of a prior public use of which the Patent Office had no means of gaining information except through the applicant.") (footnote omitted).

114. See, e.g., *Minnesota Mining and Mfg. Co. v. Norton Co.*, 280 F. Supp. 674, 684 (N.D. Ohio 1967), *aff'd*, 426 F.2d 1117 (6th Cir. 1970), *cert. denied*, 401 U.S. 925 (1971); *In re Altenpohl*, 198 U.S.P.Q. 289, 310 (Comm'r. Pat. 1976); *Penn Yan Boats, Inc. v. Sea Lark Boats, Inc.*, 359 F. Supp. 948, 965 (S.D. Fla. 1972), *aff'd*, 479 F.2d 1328 (5th Cir. 1973), *cert. denied*, 414 U.S. 874 (1973); *Strong v. General Elec. Co.*, 205 F. Supp. 1084 (N.D. Ga. 1969), *aff'd*, 434 F.2d 1042 (5th Cir. 1970), *cert. denied*, 403 U.S. 906 (1971).

115. See, e.g., *In re Clark*, 522 F.2d 623, 627 (C.C.P.A. 1975).

116. *Carter-Wallace, Inc. v. Davis-Edwards Pharmacal Corp.*, 443 F.2d 867, 882 (2d Cir. 1971); *University of Illinois Found. v. Blonder-Tongue Lab., Inc.*, 422 F.2d 769, 777 (7th Cir. 1970).

117. 428 F.2d 555 (5th Cir.), *cert. denied*, 400 U.S. 956 (1970).

Stow and Clark, it follows logically that plaintiffs were under no obligation to disclose to the Patent Office prior art which would not have been effective to invalidate the patent.¹¹⁸

The Fifth Circuit construed the claims at issue differently, and found that the uncited art anticipated at least the broad claims at issue. The court rejected the argument that a patent applicant was not required "to set up 'straw men it knew it could knock down'" in cases where the applicant was aware of pertinent information.¹¹⁹ The court relied on Beckman's *ante litem motam* conduct as an implied admission of materiality and found its assertions to the contrary at trial "utterly incredible."¹²⁰

In *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*,¹²¹ the Ninth Circuit stated the rule as follows:

A patent applicant has a duty to the Patent Office to make a full and fair disclosure of all facts which may affect the patentability of his invention. A breach of that duty prevents the Patent Office from properly performing its function of preventing the issuance of unlawful patent monopolies.¹²²

"Patentability" clearly encompassed matters going to obviousness as well as matters concerning anticipation.

Although several of these decisions, including *Beckman* and *Monolith*, involved art that was found to be anticipatory, and thus should have been disclosed even under the *Bell Telephone* standard, it was clear that the duty of disclosure now extended to art relating to obviousness as well as novelty.¹²³

118. *Beckman Instruments, Inc. v. Chemtronics, Inc.*, 160 U.S.P.Q. 619, 621 (W.D.Tex. 1968), *aff'd in part and rev'd in part*, 428 F.2d 555 (5th Cir. 1970), *cert. denied*, 400 U.S. 956 (1970).

119. 428 F.2d at 564.

120. *Id.* at 566.

121. 407 F.2d 288 (9th Cir. 1969).

122. *Id.* at 294.

123. *See, e.g.*, *Trio Process Corp. v. L. Goldstein's Sons, Inc.*, 461 F.2d 66 (3d Cir. 1972), *cert. denied*, 409 U.S. 997 (1972); *Schnadig Corp. v. Gaines Mfg. Co., Inc.*, 494 F.2d 383 (6th Cir. 1974). Other cases have held that an applicant must disclose all highly relevant art of which he is aware. *See, e.g.*, *Minnesota Mining and Mfg. Co. v. Norton Co.*, 280 F. Supp. 674, 684 (N.D. Ohio 1967), *aff'd*, 426 F.2d 1117 (6th Cir. 1970), *cert. denied*, 401 U.S. 925 (1971); *In re Altenpohl*, 198 U.S.P.Q. 289, 310 (Comm'r. Pat. 1976); *Penn Yan Boats, Inc. v. Sea Lark Boats, Inc.*, 359 F. Supp. 948 (S.D. Fla. 1972), *aff'd*, 479 F.2d 1328 (5th Cir.), *cert. denied*, 414 U.S. 874 (1973).

In *Norton v. Curtiss*,¹²⁴ the Court of Customs and Patent Appeals reviewed with approval the trend in unenforceability decisions. Echoing concerns expressed by other circuits about the practical limitations of the Patent Office,¹²⁵ the court stated:

With the seemingly ever-increasing number of applications before it, the Patent Office has a tremendous burden. While being a fact-finding as well as an adjudicatory agency, it is necessarily limited in the time permitted to ascertain the facts necessary to adjudge the patentable merits of each application. In addition, it has no testing facilities of its own. Clearly, it must rely on applicants for many of the facts upon which its decisions are based. The highest standards of honesty and candor on the part of applicants in presenting such facts to the office are thus necessary elements in a working patent system. We would go so far as to say they are essential. It follows, therefore, that we do approve of the indicated expansion of the types of misconduct for which applicants will be penalized.¹²⁶

Based on these and other similar decisions,¹²⁷ a third standard of materiality emerged. In *Corning Glass Works v. Anchor Hocking Glass Corp.*,¹²⁸ the applicant allegedly submitted false affidavits and made false written arguments to the examiner in order to distinguish the prior art. The court found that under the objective but-for test of materiality, the patent would still have issued. This precluded liability for damages under *Walker*.¹²⁹ Nevertheless, the court found that there had been a misrepresentation to the Patent Office. The court applied a more expansive materiality standard to the issues of unclean hands and unenforceability to

124. 433 F.2d 779 (C.C.P.A. 1970).

125. *Pfizer & Co. v. FTC*, 401 F.2d 574, 579 (6th Cir. 1968), cert. denied, 394 U.S. 920 (1969); *Beckman Instruments, Inc. v. Chemtronics, Inc.*, 428 F.2d 555, 564-65 (5th Cir.), cert. denied, 400 U.S. 956 (1970).

126. 433 F.2d at 794.

127. See, e.g., *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp.*, 407 F.2d 288 (9th Cir. 1969); *Minnesota Mining and Mfg. Co. v. Norton Co.*, 280 F. Supp. 674 (N.D. Ohio 1968), aff'd, 426 F.2d 1117 (6th Cir. 1970), cert. denied, 401 U.S. 925 (1971); *Penn Yan Boats, Inc. v. Sea Lark Boats, Inc.*, 359 F. Supp. 948, 964-65 (S.D. Fla. 1972), aff'd, 479 F.2d 1328 (5th Cir.), cert. denied, 414 U.S. 874 (1973).

128. 253 F. Supp. 461, 469-70 (D. Del. 1966), rev'd on other grounds, 374 F.2d 473 (3d Cir.), cert. denied, 389 U.S. 326 (1967).

129. *Id.*

discourage others from similar misconduct: "Enforcing a patent in behalf of one who has made intentional misrepresentations to the Patent Office, irrespective of the merits of his patent application, might encourage an applicant to be dishonest in dealing with the Patent Office, thus preventing the office from functioning properly."¹³⁰ The touchstone under this test was that the misrepresentation be "relevant and significant."¹³¹

In *SCM Corp. v. Radio Corp. of America*,¹³² the patent owner had submitted affidavits to the Patent Office concerning tests that bore on patentability. In discovery, it was learned that contradictory test results had been withheld. The court found that it could not determine materiality under the but-for standard. However, the court held that the party who withholds relevant facts should be the party that suffers. Otherwise there would be insufficient incentives for applicants to disclose relevant facts.¹³³ This standard of materiality, applied by numerous courts in the 1970's,¹³⁴ was dubbed by one court the "but-it-may-have" standard.¹³⁵

In 1976, in *In re Altenpohl*,¹³⁶ the Commissioner of Patents and Trademarks issued an opinion striking a reissue application for fraud.¹³⁷ The Commissioner adopted the "but-it-may-have" standard of materiality for practice in the Patent Office: "Further, the materiality of the prior art withheld need not necessarily be such that applicant or counsel believed it would render any of the claims unpatentable. It need only be such that the patent might not have issued had full disclosure been made."¹³⁸

In 1977, the Patent and Trademark Office ("PTO") amended Rule 56 to elucidate the duty of disclosure. The amended Rule defined materiality under an objective standard of importance to the examiner and thus

130. *Id.* at 471.

131. As the court explained in *Corning*, "[I]f a false answer is given to the patent examiner when he asks 'How are you,' surely a false answer will not prevent the enforcement of the patent." *Id.* at 471 n.27.

132. 318 F. Supp. 433 (S.D.N.Y. 1970).

133. *Id.* at 449-50.

134. *See, e.g.,* Warner-Jenkinson Co. v. Allied Chem. Corp., 477 F. Supp. 371 (S.D. N.Y. 1979), *aff'd without opinion*, 633 F.2d 208 (2d Cir. 1980); Grayhill, Inc. v. AMF Inc., 203 U.S.P.Q. 745 (D.N.J. 1978); CPC Int'l, Inc. v. Standard Brands, Inc., 385 F. Supp. 1057 (D.Del. 1974); General Tire & Rubber Co. v. Watson-Bowman Assoc., Inc., 193 U.S.P.Q. 479 (D.Del. 1977) (Rule 56 standard).

135. *In re* Multidistrict Litigation Involving Frost Patent, 398 F. Supp. 1353, 1368-69 (D.Del. 1975), *aff'd in part and rev'd in part*, 540 F.2d 601 (3d Cir. 1976).

136. 198 U.S.P.Q. 289 (Comm'r. Pat. 1976).

137. The reissue statute, 35 U.S.C. § 251 (1993), provides that reissue be available only where the error in the scope of the original claims occurred "without any deceptive intention."

138. 198 U.S.P.Q. at 310.

required applicants to disclose information "of which they are aware", where "there is a substantial likelihood that a reasonable examiner would consider it important."¹³⁹

2. Intent

Both R.S. 4920¹⁴⁰ and the Supreme Court's *Precision* decision¹⁴¹ made intentional or willful conduct an element of the inequitable conduct defense. As the law of inequitable conduct developed in the circuits, an issue frequently arose concerning whether evidence that the patent applicant and his attorney were acting in good faith would be sufficient to defeat an assertion of unenforceability.

As discussed above, in the 1950's and 1960's, courts were generally unwilling to infer fraudulent intent.¹⁴² In *Walker*, the Supreme Court noted that proof of good faith would be "a complete defense" to an anti-trust claim grounded on "knowing[] and willful[]" fraud in the Patent Office.¹⁴³ There remained, however, a question whether a lesser standard of culpability would apply to the assertion of "mere" inequitable conduct as a defense in litigation.

In some cases, such as *Beckman Instruments*, the court simply rejected as "incredible" the contention of good faith and found instead that the patent owner's conduct had been intentional in view of other circumstantial evidence.¹⁴⁴

Other courts, however, held that a lower standard of culpability, calculated recklessness, would support the defense. In *Monolith*, the Ninth Circuit reviewed the findings of the trial court and concluded:

Each of the above four challenged findings is supported by the record. Taken together, they evidence a course of con-

139. 37 C.F.R. § 1.56 (1977). The PTC stated that this amendment "codifies the existing Office policy on fraud and inequitable conduct, which is believed consistent with the prevailing case law in the federal courts." 42 Fed. Reg. 5589 (1977), 314 PAT. TRADEMARK & COPYRIGHT J. (BNA) D-1, D-2 (1977). The Patent Office was renamed the Patent and Trademark Office effective Jan. 2, 1975, Pub. L. No. 93-596 § 1, 88 Stat. 1949 (1974).

140. Act of July 8, 1870, ch. 230, 16 Stat. 198 (1870).

141. *Precision* characterized the facts in that case as "[a] willful act . . . which rightfully can be said to transgress equitable standards of conduct." *Precision Co. v. Automotive Co.*, 324 U.S. 806, 815 (1945).

142. See *supra* notes 90-95 and accompanying text.

143. *Walker Process Equip., Inc. v. Food Mach. & Chem.*, 382 U.S. 172, 177 (1965).

144. *Beckman Instruments, Inc. v. Chemtronics, Inc.*, 439 F.2d 1369, 1380 (5th Cir.), cert. denied, 400 U.S. 956 (1970).

duct by Monolith which, if not properly characterized as actually fraudulent, reveals a calculated recklessness about the truth and which constitutes a serious breach of duty to the Patent Office. The findings adequately support the District Court's conclusion that the patent side of the case was exceptional.¹⁴⁵

Similarly, in *Norton v. Curtiss*, the C.C.P.A. balanced the element of intent against the "fiduciary-like duty" imposed by the public interest surrounding the patent grant. The court made plain that subjective assertions of good faith were not necessarily sufficient:

Conduct in this area necessarily must be judged with that interest always taken into account and objective standards applied. Good faith and subjective intent, while they are to be considered, should not necessarily be made controlling. Under ordinary circumstances, the fact of misrepresentation coupled with proof that the party making it had knowledge of its falsity is enough to warrant drawing the inference that there was a fraudulent intent. 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.¹⁴⁶

In the years following *Norton*, decisions in each circuit endorsed the "gross negligence" standard of intent.¹⁴⁷

145. *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp.*, 407 F.2d 288, 297 (9th Cir. 1969).

146. 433 F.2d 779, 795-96.

147. *Digital Equip. Corp. v. Diamond*, 653 F.2d 701, 709 (1st Cir. 1981); *Warner-Jenkinson Co. v. Allied Chem. Corp.*, 477 F. Supp. 371, 395 (S.D.N.Y. 1979), *aff'd without opinion*, 633 F.2d 208 (2d Cir. 1980); *Carter-Wallace, Inc. v. Davis-Edwards Pharmacal Corp.*, 443 F.2d 867, 882 (2d Cir. 1971); *Monsanto Co. v. Rohm & Haas Co.*, 456 F.2d 592 (3d Cir. 1972), *cert. denied*, 407 U.S. 934 (1972); *Grayhill, Inc. v. AMF Inc.*, 203 U.S.P.Q. 745 (D.N.J. 1978); *Solvex Corp. v. Freeman*, 199 U.S.P.Q. 797 (W.D.Va. 1976); *Ashlow Ltd. v. Morgan Const. Co.*, 213 U.S.P.Q. 671, 697 (D.S.C. 1982); *Parker v. Motorola, Inc.*, 524 F.2d 518 (5th Cir. 1975), *cert. denied*, 425 U.S. 975 (1976); *Kearney & Trecker Corp. v. Cincinnati Milacron, Inc.*, 562 F.2d 365 (6th Cir. 1977); *CMI Corp. v. Barber-Greene Co.*, 214 U.S.P.Q. 690, 695 (N.D.Ill. 1981), *aff'd*, 683 F.2d 1061 (7th Cir. 1982); *Pfizer, Inc. v. International Rectifier Corp.*, 538 F.2d 180 (8th Cir. 1976), *cert. denied*, 429 U.S. 1040 (1977); *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986 (9th Cir. 1979), *cert. denied*, 444 U.S. 1025 (1980); *Plastic Container Corp. v. Continental Plastics*, 607 F.2d 885 (10th Cir. 1979), *cert. denied*, 444 U.S. 1018 (1980);

Different types of fact patterns led courts to infer inequitable intent. There were cases, like *Beckman Instruments*, where the patent owner's protestations of good faith in the PTO were belied by its contradictory conduct elsewhere.¹⁴⁸ Culpable intent also was inferred where the facts withheld from the PTO were within the particular control of the patent applicant. Typical of these cases was *Monsanto Co. v. Rohm & Haas Co.*, in which the patent applicant submitted test results in support of the "unusual and valuable" herbicidal properties of the claimed compounds, but omitted a substantial body of contradictory data.¹⁴⁹ The court stated: "Concealment and nondisclosure may be 'evidence of and equivalent to a false representation, because the concealment or suppression is, in effect, a representation that what is disclosed is the whole truth.'" ¹⁵⁰

The C.C.P.A.'s decision in *Norton v. Curtiss* was similar. There, the applicant attempted to overcome a rejection by submitting "comparative showing of properties." The court required the applicant to make such a comparison with "the closest prior art of which he is aware," because the implicit representation in the submission that the comparison is meaningful and is "a fair and accurate demonstration" is false if it is not made against the closest prior art.¹⁵¹

In a related group of cases, inequitable intent was inferred from other extrinsic facts relating to the prosecution. For example, intent was inferred where the patent applicant amended claims because he believed he could avoid having to disclose a particular reference to the PTO, or where the applicant failed to correct an error by the examiner that favored the applicant's position.¹⁵²

Some courts quickly realized the potential for mischief in a standard based on negligence alone. In *Xerox Corp. v. Dennison Manufacturing Co.*, the court settled upon a willful or reckless standard:

True Temper Corp. v. CF&I Steel Corp., 601 F.2d 495, 502 (10th Cir. 1979); *In re Altenpohl*, 198 U.S.P.Q. 289, 310 (Comm'r Pats. 1976).

148. 428 F.2d 555 (5th Cir.), *cert. denied*, 400 U.S. 956 (1970); *see also* Carter-Wallace, Inc. v. Davis-Edwards Pharmacal Corp., 443 F.2d 867, 882 (2d Cir. 1971); *Kearney & Trecker Corp. v. Cincinnati Milacron, Inc.*, 562 F.2d 365, 371-72 (6th Cir. 1977).

149. 456 F.2d 592, 596-97 (3d Cir. 1971), *cert. denied*, 407 U.S. 934 (1972).

150. *Id.* at 599 (quoting *Stewart v. Wyoming Cattle Ranch Co.*, 128 U.S. 383, 388-89 (1988)).

151. 433 F.2d 779, 794 (C.C.P.A. 1970). The court found no inequitable conduct because the applicant's omissions and misrepresentations were "no more than simple negligence." *Id.* at 797.

152. *See supra* notes 115-16 and accompanying text.

However, to deny enforcement as a matter of law merely because of an innocent or good faith non-disclosure would go beyond what is necessary to protect the public against the improvident granting of a monopoly. Such a standard could also have the harmful effect of forcing a patent solicitor to flood the Patent Office in each case with a mass of data of doubtful materiality rather than take the risk that an inventor might later be denied the fruits of his monopoly because of failure to reveal some fact later magnified out of proportion by an infringer seeking to escape the reach of the patent by combing the inventor's files under our liberal pretrial discovery procedures and dredging up new found "facts." In this respect the situation would become analogous to that already presented by the deluge of class actions instituted under the federal securities laws by investors claiming "fraud" on the basis of second guessing with the aid of microscopic examination of the issuer's files.

We believe that the stringent standard urged by defendants is unnecessary to protect the public, and that an applicant for a patent should be accorded the right to exercise good faith judgment in deciding what matters are and are not of sufficient relevance and materiality to require disclosure. Only when he is guilty of fraud, willfulness or recklessness indicating a disregard for his duty of frankness should enforcement of the patent be barred.¹⁵³

Courts in several circuits re-emphasized the requirement that, no matter how phrased, the standard of intent carried with it a requirement of wrongfulness or bad faith. In *Pfizer, Inc. v. International Rectifier Corp.*, the district court had equated the duty of disclosure to that required by federal law of a securities seller.¹⁵⁴ The court explained that the ex parte nature of the patent prosecution made it necessary to impose a strict duty of disclosure on the applicant.¹⁵⁵ Applying this standard of disclosure, the district court rejected the patentee's assertions that its non-disclosure of a prior art patent and submission of allegedly false affidavits was based

153. 322 F. Supp. 963, 968-69 (S.D.N.Y. 1971).

154. 186 U.S.P.Q. 511 (D.Minn. 1975), *rev'd*, 538 F.2d 180 (8th Cir. 1976), *cert. denied*, 429 U.S. 1040 (1977).

155. *Id.* at 517.

on good faith. The patent, which covered a synthetic antibiotic, was held unenforceable on summary judgment. The Eighth Circuit reversed, stating:

It would be unwise to attempt to formulate a standard of conduct setting forth all elements of the defense embracing all misconduct before the Patent Office that might justify refusal to enforce a patent. However, we note that the standard is not one of strict liability for innocent or even negligent omissions or misstatements before the Patent Office. Rather, to result in refusal to enforce a patent, the misconduct must be accompanied by "some element of wrongfulness, willfulness, or bad faith." This requirement of proof has been uniformly applied in infringement actions by a majority of the circuits to claims of both fraud and lesser inequitable conduct.¹⁵⁶

The court also recognized that the expanded standards of intent and materiality ran the risk of shifting the focus of patent litigation from the merits of the patent to the moral character of the patent owner.¹⁵⁷

In *Digital Equipment Corp. v. Diamond*,¹⁵⁸ the First Circuit sought a middle ground among the different standards of intent and materiality.¹⁵⁹ The court then established a sliding scale test between intent and materiality:

Questions of "materiality" and "culpability" are often interrelated and intertwined, so that a lesser showing of the materiality of withheld information may suffice when an intentional scheme to defraud is established, whereas a greater showing of the materiality of withheld information would necessarily create an inference that its nondisclosure was "wrongful."¹⁶⁰

156. 538 F.2d 180, 186 (8th Cir. 1976), cert. denied, 429 U.S. 1040 (1977) (citations omitted).

157. *Id.* at 196.

158. 653 F.2d 701 (1st Cir. 1981).

159. *Id.* at 708-10, 715.

160. *Id.* at 716. Applying this standard, the court reversed and remanded to the Patent Office a reissue application which had been stricken for fraud.

Over a period of 37 years, various circuits experimented with three different standards of materiality and two different standards of intent. The once daunting barriers of intent and materiality were lowered to make the defense easier to assert—potentially too easy. Courts that felt uncomfortable with the technical questions surrounding validity and infringement appeared to be more willing to pass on more manageable questions (e.g., was there a failure to disclose or not?) as a way to resolve complicated patent cases. It was at this point that the Federal Circuit began to address the issue.

III. THE INEQUITABLE CONDUCT DECISIONS OF THE FEDERAL CIRCUIT

A driving force behind the creation of the Federal Circuit in 1982 was a desire for increased uniformity in patent law.¹⁶¹ One intended benefit of this was to end forum-shopping by litigants for circuits with perceived pro- or anti-patent biases. Another hope was that uniformity would reduce the number of appeals in infringement cases:

Removing the incentive to forum-shop also will reduce costs to litigants. The reduction of such costs will promote investment in innovative products and new technology. Moreover, as the new court brings uniformity to this field of law, the number of appeals resulting from attempts to obtain different rulings on disputed legal points can be expected to decrease. As in all contestable situations, a more predictable outcome will encourage the contestants to avoid litigation: as aptly observed by one witness, “. . . the rules of law need not be challenged daily, to reinforce the rule of law.”¹⁶²

The discussion of a need for uniformity generally centered around the standards of patentability applied by the regional circuits.¹⁶³ It is clear, however, that the decisions concerning inequitable conduct were also

161. S. Rep. No. 275, 97th Cong., 2d Sess. 5-6 (1982), *reprinted in* 1982 U.S.C.C.A.N. 11, 15-16; H.R. Rep. No. 312, 97th Cong., 1st Sess. 20-23 (1981).

162. H.R. Rep. No. 312 at 23; *see also* S. Rep. No. 275 at 5.

163. H.R. Rep. No. 312 at 22.

disparate from circuit to circuit and even within circuits. Indeed, if one looks behind the statements of law to the results courts reached on the facts before them, it is only a slight exaggeration to say that one could find pre-1982 decisions going both ways (i.e., finding or not finding inequitable conduct) on almost any set of facts.

By reducing from twelve to one the number of circuits trying to elucidate a standard of inequitable conduct, the Federal Circuit instantly brought more uniformity to the law or, more precisely, to the statement of the governing principles. And, because the Supreme Court has not reviewed any inequitable conduct cases since 1982, the statements of the Federal Circuit have been the last word.¹⁶⁴

The Federal Circuit was not entirely unencumbered as it began to address the law in this area. The Court adopted as presumptively controlling precedent the decisions of the C.C.P.A. and the Court of Claims.¹⁶⁵ Also, several of the judges of the new court had sat by designation in the regional circuits and had written decisions touching on inequitable conduct.¹⁶⁶

Because of the C.C.P.A.'s experience in hearing appeals from PTO proceedings, the Federal Circuit possessed a greater sensitivity than the regional circuits to the practical realities of the patent prosecution process. The early decisions of the court reflect that understanding, as well as a desire to set high standards for purging the patent system of the taint of inequitable conduct to whatever extent was possible. For example, the duty of disclosure and the element of materiality were phrased in terms of "how one ought to conduct business with the PTO."¹⁶⁷

The court did not have—perhaps it could not have had—the same insight into the effect the language of its opinions concerning inequitable

164. See Justice Jackson's observation about the Supreme Court: "We are not final because we are infallible, but we are infallible only because we are final." *Brown v. Allen*, 344 U.S. 443, 540 (1953) (Jackson, J. concurring).

165. *South Corp. v. United States*, 690 F.2d 1368, 1370 (Fed. Cir. 1982).

166. E.g., *Square Liner 360°, Inc. v. Chisum*, 691 F.2d 362, 374 (8th Cir. 1982) (Miller, J.); *Oetiker v. Jurid Werke GmbH*, 671 F.2d 596, 600 (D.C. Cir. 1982) (Markey, C.J.); *E. I. du Pont de Nemours v. Berkley & Co., Inc.*, 620 F.2d 1247, 1274 (8th Cir. 1980) (Markey, C.J.); see also J. R. Miller, *Fraud on the PTO*, 58 J. PAT. OFF. SOC'Y 271 (1976).

167. *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1363 (Fed. Cir.), cert. denied 469 U.S. 821 (1984); see also, e.g., *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1449, 1455-57 (Fed. Cir. 1984) (effect of same examiner in charge of prosecution of uncited patent); *Driscoll v. Cebalo*, 731 F.2d 878, 885 (Fed. Cir. 1984) (rejecting the presumption that examiner has rejected art in classes searched); *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1572-73 (Fed. Cir. 1983) (analysis of the record of interview with patent examiner), cert. denied 469 U.S. 851 (1984).

conduct would have on litigants.¹⁶⁸ As the first instance of a national circuit court established to decide cases in a particular subject matter, the opinions of the Federal Circuit were intensely scrutinized. Add to this a problem not faced by the Supreme Court, the goal of maintaining a uniform body of law in opinions written by diverse panels.

The "black letter" statement of the inequitable conduct defense remained essentially the same from 1983 to 1992. In 1983, the court stated: "Establishing that a patent was procured by fraud or with such egregious conduct as to render it unenforceable requires clear, unequivocal, and convincing evidence of an intentional misrepresentation or withholding of a material fact from the PTO."¹⁶⁹ This is interchangeable with a 1992 formulation: "In addition to the materiality of the undisclosed information, a challenger of a patent must, to establish that the patentee acted inequitably, demonstrate that the patentee intended to mislead or deceive the PTO."¹⁷⁰ However, this superficial consistency did not make the results in patent cases (i.e., the application of law to particular facts) more predictable. Nor did it reduce the number of appeals on the issue of inequitable conduct.

As it did with other areas of patent law, the Federal Circuit's analysis of the doctrine of inequitable conduct began with underlying principles. Rather than only following the Supreme Court's discussion of "the public[s] . . . paramount interest" in being protected from improvidently granted "patent monopolies,"¹⁷¹ the Federal Circuit recognized public policies in favor of the patent system that needed to be balanced against the ethical imperatives of the inequitable conduct doctrine. In *Rohm & Haas Co. v. Crystal Chemical Co.*, the court stated:

Surely, a very important policy consideration is to discourage all manner of dishonest conduct in dealing with the PTO. At the same time, the basic policy underlying the patent

168. The problem is not unique to the Federal Circuit. As Judge (later Justice) Cardozo admitted in 1921: "A brief experience on the bench was enough to reveal to me all sorts of cracks and crevices and loopholes in my own opinions when picked up a few months after delivery, and reread with due contrition." BENJAMIN N. CARDOZO, *THE NATURE OF THE JUDICIAL PROCESS* 29-30 (1921).

169. *Orthopedic Equip. Co. v. All Orthopedic Appliances*, 707 F.2d 1376, 1383 (Fed. Cir. 1983).

170. *LaBounty Mfg., Inc. v. U.S. Int'l Trade Com'n*, 958 F.2d 1066, 1076 (Fed. Cir. 1992).

171. *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 816 (1945).

system is to encourage the disclosure of inventions through issuance of patents. Another policy of the system is to stimulate the investment of risk capital in the commercialization of useful patentable inventions so that the public gets some benefit from them, which may not occur in the absence of some patent protection. Clearly, we are faced with questions of both socioeconomic policy on the one hand, and morals or ethics on the other. We think we should not so emphasize either category as to forget the other.¹⁷²

The assertion in *Rohm & Haas* that policing inequitable conduct was only one of several competing values in patent litigation could have been used as a starting point to relax the doctrine by making inequitable conduct more difficult to prove. This did not happen. In fact, the law as applied in the Federal Circuit's early decisions made the defense appear substantially easier to establish. As a result, allegations of inequitable conduct were made with increasing frequency until, in 1988, the court complained that the pervasiveness of inequitable conduct charges had become "an absolute plague."¹⁷³ And, in all events, the court's continued willingness to review in an "activist" fashion findings of unenforceability has encouraged litigants to raise the issue on appeal, where it might otherwise have been abandoned at the pretrial or trial stages of an action.

A. *The Burden of Proof and the Presumption of Validity*

Certain questions that had been debated among the circuits were resolved essentially once and for all. With respect to the burden of proof, the court relied on the C.C.P.A.'s decision in *Norton v. Curtiss*¹⁷⁴ and held that "[f]raud must be proved by clear and convincing evidence, and the party asserting it carries a heavy burden."¹⁷⁵

Moreover, decisions in some of the regional circuits had held that evidence of prior art not disclosed to the Patent Office weakened or dissipated the presumption of validity, or shifted the burden of proof to

172. 722 F.2d 1556, 1571 (Fed. Cir. 1983), cert. denied 469 U.S. 851 (1984).

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

174. 433 F.2d 779, 797 (C.C.P.A. 1970).

175. *Kansas Jack, Inc. v. Kuhn*, 719 F.2d 1144, 1151 (Fed. Cir. 1983); *Accord Driscoll v. Cebalo*, 731 F.2d 878, 884 (Fed. Cir. 1984); *Rohm & Haas Co. v. Crystal Chemical Co.*, 722 F.2d 1556, 1572 (Fed. Cir. 1983), cert. denied 469 U.S. 851 (1984); *Orthopedic Equip. Co. v. All Orthopedic Appliances*, 707 F.2d 1376, 1383 (Fed. Cir. 1983).

the patent owner, whether or not it rendered a patent unenforceable.¹⁷⁶ The court rejected this notion in *American Hoist & Derrick Co. v. Sowa & Sons*:

[The presumption of validity and burden of proof] are static and in reality different expressions of the same thing—a single hurdle to be cleared. Neither does the *standard* of proof change; it must be by clear and convincing evidence or its equivalent, by whatever form of words it may be expressed. What the production of new prior art or other invalidating evidence not before the PTO does is to eliminate, or at least reduce, the element of deference due the PTO, thereby partially, if not wholly, *discharging* the attacker's burden, but neither shifting nor lightening it or changing the standard of proof.¹⁷⁷

Similarly, the court resolved the disagreement among the circuits about whether a finding of inequitable conduct rendered a patent merely unenforceable, subject to possible cure to purge the misconduct, or invalid.¹⁷⁸ In *J.P. Stevens & Co., v. Lex Tex Ltd.*, the court held that the inequitable conduct would result only in unenforceability. However, the unenforceability would extend to all of the claims of the patent at issue, not just the claim for which inequitable conduct had been proved.¹⁷⁹ The court also announced a procedure by which inequitable conduct could be cured while

176. See, e.g., *Louis A. Grant, Inc. v. Keibler Indus., Inc.*, 191 U.S.P.Q. 424, 429 (7th Cir. 1976); *True Temper Corp. v. CF&I Steel Corp.*, 193 U.S.P.Q. 763, 765-66 (D.Colo. 1976), *aff'd in part and vacated in part* 601 F.2d 495 (10th Cir. 1979).

177. 725 F.2d 1350, 1360 (Fed. Cir. 1984), *cert. denied* 469 U.S. 821 (1984) (emphasis in original) (citations omitted).

178. *Warner-Jenkinson Co. v. Allied Chemical Corp.*, 477 F. Supp. 371, 394 n.86 (S.D.N.Y. 1979) (finding that a declaration of invalidity of the patents in suit precluded the defendant from reapplying to the Patent Office to acquire a new patent, whereas a declaration of unenforceability would not so preclude), *aff'd without opinion*, 633 F.2d 208 (2d Cir. 1980); *SCM Corp. v. Radio Corp. of America*, 318 F. Supp. 433, 448-50 (S.D.N.Y. 1970) (finding "unenforceability" rather than "invalidity" in light of lower showing of materiality); *Duplan Corp. v. Deering Milliken, Inc.*, 444 F. Supp. 648, 732 (D.S.C. 1977) (distinguishing invalidity and unenforceability in relation to materiality and intent), *aff'd in part and rev'd in part*, 594 F.2d 979 (4th Cir. 1979), *cert. denied*, 444 U.S. 1015 (1980); *cf. Timely Products Corp. v. Arron*, 523 F.2d 288, 297 (2d Cir. 1975) (finding support for distinction, but noting it "is without practical significance insofar as the consequences are concerned").

179. 747 F.2d 1553, 1560-62 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985). The ruling was affirmed *en banc* in *Kingsdown Medical Consultants v. Hollister Inc.*, 863 F.2d 867, 877 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989).

a patent application was still being prosecuted.¹⁸⁰

B. Materiality and the Duty of Disclosure

Of the two principle elements of the inequitable conduct defense, materiality and intent, materiality falls most squarely within the expertise of the Federal Circuit. The judges, particularly those from the old C.C.P.A., had familiarity with PTO practice that far exceeded that of judges in the regional circuits and the vast majority of trial judges. In such circumstances, at least one appellate judge has suggested that broad appellate review is both useful and appropriate.¹⁸¹

Reviewing the decisions of the regional circuits, it is clear that the courts believed that the underlying purpose of requiring the disclosure of material art was to enable the PTO to assess fairly the merits of an application against the statutory criteria for patentability.¹⁸² This was also the view of the PTO. PTO Rule 56, amended in 1977, focused the inquiry on the likelihood that a reasonable examiner would consider information "important in deciding whether to allow the application to issue as a patent."¹⁸³

Guided by this policy consideration, the Federal Circuit adopted a standard of materiality broader than any that had previously been applied in litigation. In *American Hoist & Derrick Co. v. Sowa & Sons*, the court said that the materiality of undisclosed facts should be judged by the same broad standard that governed a patent applicant during prosecution:

PTO Rule 1.56(a), explains materiality. It says that information "is material where there is [1] a *substantial likelihood* that [2] a *reasonable examiner* [3] would consider it important [4] in deciding *whether to allow the application to issue* as a patent." (Emphasis ours.) 37 CFR 1.56(a), third sentence (1983).

The PTO "standard" is an appropriate starting point for

180. *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1572 (Fed. Cir. 1983).

181. See Henry J. Friendly, *Indiscretion About Discretion*, 31 EMORY L.J. 747, 756 (1982).

182. See, e.g., *supra* notes 119, 126-28 and accompanying text.

183. 37 C.F.R. § 1.56(a) (1989) (prior to 1992 amendment). *Accord In re Altenpohl*, 198 U.S.P.Q. 289, 310 (Comm'r. Pat. 1976).

any discussion of materiality, for it appears to be the broadest, thus encompassing the others, and because that materiality boundary most closely aligns with how one ought to conduct business with the PTO.¹⁸⁴

However, the court also stated that an applicant has no duty to search for prior art, nor any obligation "to disclose 'all . . . pertinent information' of which he is aware."¹⁸⁵ The court cited to the First Circuit decision in *Digital Equipment Corp. v. Diamond*.¹⁸⁶ In *Digital*, the court had explained the materiality standard as follows:

To establish fraud . . . the nondisclosed information must be such as to have a likely effect on the scope of allowable claims or the issuance of the patent. It is not enough that the information be simply "relevant" in some general sense to the subject matter of the claimed invention, or even to the invention's patentability.¹⁸⁷

The Federal Circuit had no problem establishing a middle ground, a normative mean, concerning the duty of disclosure. The court looked to how a reasonable attorney would interact with a reasonable examiner. For example, in *Argus Chemical v. Fibre Glass-Evercoat*,¹⁸⁸ the court rejected an attempt to excuse a failure to disclose art on the ground that the duty of disclosure when the patent was prosecuted had been limited only to anticipatory art.¹⁸⁹ The court stated:

[E]ven if, in some circuits, the standard were as stated, . . . it was not the law in all circuits or in the Court of Customs

184. 725 F.2d 1350, 1362-63 (Fed. Cir. 1984) (footnote omitted), cert. denied, 469 U.S. 821 (1984).

185. *Id.* at 1362.

186. 653 F.2d 701 (1st Cir. 1981).

187. *Id.* at 716, excerpted at 725 F.2d at 1362.

188. 759 F.2d 10 (Fed. Cir. 1985), cert. denied, 474 U.S. 903 (1985).

189. See *supra* note 117 and accompanying text. The defense of changing standards of disclosure, although soundly based in the case law, has usually been rejected when raised. See, e.g., *U.S. Indus. Inc. v. Norton Co.*, 210 U.S.P.Q. 94, 108 n.8 (N.D.N.Y. 1980); *Ashlow Ltd. v. Morgan Constr. Co.*, 213 U.S.P.Q. 671, 697 (D.S.C. 1982); but cf. *In re Certain Steel Rod Treating Apparatus*, 215 U.S.P.Q. 237, 257 (ITC 1981) ("[T]he retroactive application of Rule 56 to conduct occurring during the mid-1960s would be unfair to those practicing before the Patent Office during that period."). Whatever the courts' stated reasons, it is more likely that they found unsympathetic the excuse "Everybody did it."

and Patent Appeals or in the U.S. Court of Claims. We reject the view that one's duty to the PTO should be judged by the least common denominator.¹⁹⁰

Similarly, the court ruled that there is a duty to correct a patent examiner who has expressed an erroneous view about the prior art.¹⁹¹ And, the court rejected the often asserted argument that an examiner could be presumed to have considered and rejected uncited art in a prior art class that the examiner had searched.¹⁹²

The norm, however, is not what usually gets litigated. Rather, courts are presented with fact patterns that push against the boundaries, that skirt the line between what is and is not equitable. In these cases, the district courts and the regional circuits had often reached conflicting results on substantially similar facts.

The Federal Circuit did not fare much better with these cases. For example, the court has held several times that there is no duty to cite art which is merely cumulative.¹⁹³ But the court could not express a clear rule indicating when art was or was not cumulative. As a result, aggressive patent solicitors (and even those who were not) would almost certainly find their judgment being second-guessed in litigation.

The court was quite willing to reject assertions of inequitable conduct, no matter how strenuously they were urged on appeal.¹⁹⁴ However, until the court ruled, there was no way to know whether a prosecuting attorney's statements or silences in the PTO would be seen as "an honest mistake in judgment"¹⁹⁵ or a material misrepresentation because it was "within a reasonable examiner's realm of consideration."¹⁹⁶

190. 759 F.2d at 13.

191. See *KangaROOS U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571, 1576 (Fed. Cir. 1985).

192. *FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521, 526-27 (Fed. Cir. 1987); *Driscoll v. Cebalo*, 731 F.2d 878, 885 (Fed. Cir. 1984).

193. *Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 1440 (Fed. Cir. 1991); *Merck & Co., Inc. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1420-21 (Fed. Cir. 1989); *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1105-07 (Fed. Cir. 1986); *Liton Indus. Prod., Inc. v. Solid State Sys.*, 755 F.2d 158, 167 (Fed. Cir. 1985); *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1455-56 (Fed. Cir. 1984).

194. Compare the First Circuit's observation in *General Instrument Corp. v. Hughes Aircraft Co.*, 399 F.2d 373, 386 n.21 (1st Cir. 1968), that accusations of inequitable conduct often follow a "rhetorical Boyle's law . . . the less sensational the subject matter of a case, the more pejorative the language in the briefs."

195. *Hycor Corp. v. Schlueter Co.*, 740 F.2d 1529, 1540 (Fed. Cir. 1984).

196. *Merck & Co., Inc. v. Danbury Pharmacal, Inc.*, 873 F.2d 1418, 1421 (Fed. Cir. 1989).

The court appeared genuinely divided on some issues, e.g., the effect of disclosures of art in co-pending or related applications. In *Kimberly-Clark Corp. v. Johnson & Johnson*, the court used the fact that the examiner had researched the non-disclosed prior art in his work on an earlier application to reverse a finding of inequitable conduct.¹⁹⁷

However, essentially the same assertion was rejected in *J.P. Stevens & Co. v. Lex Tex Ltd.* "[T]he district court did not find actual knowledge by the primary examiner—it merely noted possibilities and, where inequitable conduct is at issue, mere possibilities are insufficient."¹⁹⁸

Similarly, the court reached apparently inconsistent results in response to the assertion that the examiner had independently discovered the uncited material. In *Orthopedic Equip. Co. v. All Orthopedic Appliances*, the court affirmed a judgment of no inequitable conduct based in part on this fact.¹⁹⁹ In *A.B. Dick Co. v. Burroughs Corp.*, the court affirmed a finding of inequitable conduct notwithstanding this fact.²⁰⁰

And, in a single footnote, the court made manifest the uncertainty surrounding the scope of an attorney's duty to inquire about the existence of material prior art:

As a general rule, there is no duty to conduct a prior art search, and thus there is no duty to disclose art of which an applicant could have been aware. However, one should not be able to cultivate ignorance, or disregard numerous warnings that material information or prior art may exist, merely to avoid actual knowledge of that information or prior art. When one does that, the "should have known" factor becomes operative.²⁰¹

This uncertainty about the outer limits of the duty of disclosure, and the disagreement with the court's views of what it should be, led to an effort to amend PTO Rule 56. This effort is discussed *infra*, Section IV,

197. 745 F.2d 1437, 1456 (Fed. Cir. 1984) (emphasis in original). *Accord* *Environmental Designs v. Union Oil Co.*, 713 F.2d 693, 698 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 1043 (1984).

198. 747 F.2d 1553, 1563-64 (Fed. Cir. 1984) (emphasis in original), *cert. denied*, 474 U.S. 822 (1985).

199. 707 F.2d 1376, 1383-84 (Fed. Cir. 1983).

200. 798 F.2d 1392, 1396-97 (Fed. Cir. 1986).

201. *FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521, 526 n.6 (Fed. Cir. 1987) (citations omitted).

Part A.

*C. The Quantum of Proof Necessary to Satisfy
the Requirement of Intent*

As previously discussed, an element of the inequitable conduct defense has always been proof of an intentional act. As the court stated in 1983:

Although inequitable conduct requires less stringent proofs as to both materiality and intent than common law fraud, mere evidence of simple negligence, oversight, or an erroneous judgment made in good faith not to disclose prior art is not sufficient to render a patent unenforceable.²⁰²

However, many courts had recognized that direct proof of fraudulent intent was difficult to find. At the very least, a party could come forward with testimony from the inventor and patent attorney concerning their subjective good faith reasons for what had or had not been disclosed, and their lack of intent to mislead the PTO. A court faced with such evidence had two choices if it believed that the patent owner had acted inequitably. The court could simply discredit the testimony as inherently incredible.²⁰³ This, however, clashed with the traditional role of the trial court as the arbiter of credibility.²⁰⁴ Most courts, including the C.C.P.A. in *Norton v. Curtiss*, took a different approach, and implied inequitable intent from conduct that admittedly amounted to no more than gross negligence.²⁰⁵

The Federal Circuit adopted the latter approach. In *Kansas Jack, Inc. v. Kuhn*, the court stated the basic proposition:

The intent element of fraud . . . may be proven by a showing of acts the natural consequences of which are presumably intended by the actor. Statements made with gross negligence as to their truth may establish such intent. The duty of candor owed the PTO being uncompromising, it would

202. *Orthopedic Equip. Co. v. All Orthopedic Appliances*, 707 F.2d 1376, 1383 (Fed. Cir. 1983).

203. See, e.g., *Beckman Instruments Inc. v. Chemtronics Inc.*, 428 F.2d 555, 566 (5 Cir.), cert. denied, 400 U.S. 956 (1970).

204. *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1416 (Fed. Cir. 1987) (citing *Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 574-75 (1985)).

205. *Supra*, notes 147-52 and accompanying text.

deal a deathblow to that duty if direct proof of wrongful intent were required.²⁰⁶

The court recognized that the focus was to be on what transpired in the PTO, not on events as reconstructed through hindsight at trial:

At the same time, that something thought to be true when stated, or a piece of prior art thought unimportant to the PTO's decision, was later determined to have been untrue or important, will not automatically and alone establish that fraud or inequitable conduct occurred. The fact finder must evaluate all of the facts and circumstances in each case.²⁰⁷

In *Kansas Jack*, the court affirmed the district court's finding of no inequitable conduct even though test results submitted at trial contradicted assertions that the patent owner had made to the PTO.

In *Rohm & Haas Co. v. Crystal Chemical Co.*,²⁰⁸ the applicant had submitted false and misleading data to the PTO, selectively withholding unfavorable test results. The court contrasted this situation to the withholding of prior art, stating that "there is no room to argue that submission of false affidavits is not material. . . . It cannot be said that these misrepresentations to the PTO were the result of an honest mistake."²⁰⁹ The acts were ruled intentional, due to reliance on the inferences permitted by *Kansas Jack*.²¹⁰

In *American Hoist & Derrick Co. v. Sowa & Sons*,²¹¹ the court adopted the balancing test formulated in the First Circuit's opinion in *Digital Equipment Corp. v. Diamond*.²¹² Under this test, it would be easier to infer the requisite intent where the nondisclosed facts were highly material. Conversely, where materiality was lower, more direct proof of fraudulent intent would be required.²¹³

However, in *Driscoll v. Cebalo*,²¹⁴ decided three months later, the

206. 719 F.2d 1144, 1151 (Fed. Cir. 1983) (citation omitted).

207. *Id.*

208. 722 F.2d 1556 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 851 (1984).

209. *Id.* at 1571.

210. *Id.*

211. 725 F.2d 1350 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984).

212. 653 F.2d 701, 716 (1st Cir. 1981).

213. 725 F.2d at 1363.

214. 731 F.2d 878 (Fed. Cir. 1984).

court made no mention of the balancing test. The uncited prior art was a foreign patent that the inventor and his patent attorney had discussed in correspondence. The court affirmed a finding of fraud in an interference based on a finding by the PTO of gross negligence. Sufficient intent was inferred from materiality alone: "Where they knew, or should have known, that the withheld reference would be material to the PTO's consideration, their failure to disclose the reference is sufficient proof of the existence of an intent to mislead the PTO."²¹⁵ The court also rejected the excuse that the patent examiner could be presumed to have considered and rejected the U.S. counterpart of the uncited art because it was within a class searched during prosecution: "It cannot be presumed, where fraud or other egregious conduct is alleged, that the PTO considered prior art of particular relevance if it was not cited."²¹⁶

In *J.P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc.*²¹⁷, the court appeared to lower the requisite quantum of proof yet again:

Proof of deliberate scheming is not needed; gross negligence is sufficient. Gross negligence is present when the actor, judged as a reasonable person in his position, should have known of the materiality of a withheld reference. On the other hand, simple negligence, oversight, or an erroneous judgment made in good faith, is insufficient.

Once the thresholds of materiality and intent are established, the court must balance them and determine as a matter of law whether the scales tilt to a conclusion that inequitable conduct occurred. If the court reaches that conclusion, it must hold that the patent claims at issue are unenforceable.²¹⁸

Read literally, gross negligence alone would suffice to show "threshold" intent, without regard to whether the undisclosed facts were highly material or not, as long as they showed a "threshold" materiality.

In *Argus Chemical v. Fibre Glass-Evercoat*, the court stated that once the "threshold" intent discussed in *J.P. Stevens* had been proved, by reference to an objective standard of materiality, the attorney's subjective

215. *Id.* at 885.

216. *Id.*

217. 747 F.2d 1553 (Fed. Cir. 1984), cert. denied, 474 U.S. 822 (1985).

218. *Id.* at 1560 (citations omitted).

good faith would not negate a finding of unenforceability.²¹⁹

After *Argus Chemical*, it appeared that proof of materiality would lead inexorably to a finding of inequitable intent. The Federal Circuit was not prepared to go that far. In *KangaROOS U.S.A., Inc. v. Caldor, Inc.*, the court overturned a summary judgment of unenforceability based on proof of "a clearly improper claim that a later application is entitled to the benefit of the filing date of an earlier application, in order to overcome the most pertinent prior art reference."²²⁰ The district court had found that "the claim to priority was 'so utterly devoid of merit that it could have resulted only from an intent to mislead or at least gross negligence.'²²¹

The Federal Circuit reversed, observing that it would be "draconian" to apply the "lethal weapon" of summary judgment without giving the accused attorney an opportunity to be heard.²²² The court stated that, notwithstanding the "balancing test" of materiality and intent:

We merely hold that the intent of the actor is a factor to be considered in judicial determination of fraud or inequitable conduct, and that intent was not on this record amenable to summary resolution. Despite the district court's statement that it was "inconceivable" that KangaROOS could adduce evidence to change the court's conclusion, the weight of authority requires that KangaROOS not be denied that opportunity.²²³

Nevertheless, the court continued to affirm findings of inequitable conduct based on gross negligence where the proofs consisted of (1) a material reference (2) known to the patent owner and (3) not disclosed to the Patent Office, regardless of the after-the-fact rationalizations that the non-disclosure was in good faith. In *A.B. Dick Co. v. Burroughs Corp.*, the court stated: "Where an applicant or his attorney knew or should have

219. 759 F.2d 10, 14-15 (Fed. Cir.), cert. denied, 474 U.S. 903 (1985).

220. 778 F.2d 1571, 1572 (Fed. Cir. 1985).

221. *Id.* at 1573.

222. *Id.* at 1573-74 (citing *Bruswick Corp. v. Vineburg*, 370 F.2d 605, 612 (5th Cir. 1967)).

223. *Id.* at 1577. Compare *Paragon Podiatry Laboratory Inc. v. KLM Laboratories, Inc.*, 984 F.2d 1182 (Fed. Cir. 1993), in which the court affirmed a summary judgement of unenforceability. Inequitable intent was inferred from undisputed facts relating to the submission of a false affidavit and failure to disclose invalidating commercial activity.

known that a reference was material (see Rule 56(a)), the failure to disclose the reference is sufficient to establish intent."²²⁴

In *A.B. Dick*, the court also made plain that the consideration of inequitable conduct favored the objective evidence of non-disclosure over the evidence of subjective good faith to justify what had or had not been done: "A degree of materiality may be offset by a showing of subjective good faith on the part of the applicant. However, a determination of inequitable conduct will not be avoided if knowledge of materiality or gross negligence greatly outweighs the lack of deceptive intent."²²⁵

There are several rationales that justify this standard. Courts have often placed greater weight on *ante litem motam* conduct as compared to evidence of subjective good faith conjured up for litigation. Also, as noted in the *SCM Corporation v. Radio Corp. of America* decision, "if the balance of inconvenience is to fall anywhere in a doubtful case, it should fall against the patent owner."²²⁶ Finally, the objective standards of conduct applied by the court were consistent with normative notions of "how one ought to conduct business with the PTO."²²⁷

However, the *A.B. Dick* standard presents a problem. In the balance between "knowledge of materiality" and subjective good faith, materiality usually won. Knowledge of materiality could often be proved simply by showing knowledge of the undisclosed art. The requirement stated in *American Hoist* that the significance of the art also be proved²²⁸ was obscured by the low threshold of materiality established by the "reasonable examiner" test. As far as courts were concerned, a reasonable examiner would want to know as much as possible, in order to ensure a sound determination of patentability.²²⁹ And, as already noted, evidence of

224. 798 F.2d 1392, 1398 (Fed. Cir. 1986); see also *Gardco Mfg. Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1214-15 (Fed. Cir. 1987); *In re Jerabek*, 789 F.2d 886 (Fed. Cir. 1986) (district court finding of inequitable conduct based on applicant's gross negligence in failing to reveal highly material art affirmed); but cf. *Allen Organ Co. v. Kimball Int'l, Inc.*, 839 F.2d 1556, 1567 (Fed. Cir.) ("materiality does not presume intent"; finding of no inequitable conduct affirmed), *cert. denied*, 488 U.S. 850 (1988); *N.V. Akzo v. E.I. du Pont de Nemours*, 810 F.2d 1148, 1153 (Fed. Cir. 1987) (trial court "found it impossible to determine whether [unreported tests] were indicative of bad faith or of other untainted motivating factors"; finding of no inequitable conduct affirmed).

225. *Id.* at 1398.

226. 318 F. Supp. 433, 449 (S.D.N.Y. 1970).

227. *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1363 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984).

228. *Id.* at 1362 (citing *Digital Equipment Corp. v. Diamond*, 653 F.2d 701 (1st Cir. 1981)).

229. We need not speculate about whether, in light of the growing workload facing patent examiners, a reasonable examiner really did want applicants to disclose all prior art of which

subjective good faith was often inherently suspect.

Faced with a rising tide of inequitable conduct charges, the court's opinion in *FMC Corp. v. Manitowoc Co., Inc.*, in late 1987,²³⁰ began to reassert the continued vitality of the requirement of intent. The court's opinion stated that the defense of inequitable conduct based only on a "failure to disclose," required "clear and convincing proof of . . . failure of the applicant to disclose the art or information resulting from an intent to mislead the PTO."²³¹

The court distinguished the gross negligence standard of *J.P. Stevens*, which occurs "when a reasonable person 'should have known of the materiality of a withheld reference,'" regardless of subjective good faith.²³² The opinion outlined four defenses to a charge of unenforceability:

That proof may be rebutted by a showing that: (a) the prior art or information was not material (e.g., because it is less pertinent than or merely cumulative with prior art or information cited to or by the PTO); (b) if the prior art or information was material, a showing that applicant did not know of that art or information; (c) if applicant did not [sic] know of that art or information, a showing that applicant did not know of its materiality; (d) a showing that applicant's failure to disclose art or information did not result from an intent to mislead the PTO.²³³

Finally, the court emphasized that "[n]o single factor or combination of factors can be said always to *require* an inference of intent to mislead . . ."²³⁴

In another appeal by FMC Corp., decided within weeks of *Manitowoc*, the court again stated that the holding of *J.P. Stevens* should be limited by its facts, to cases in which there had been no evidence at all of good faith. As for the other Federal Circuit cases that inferred intent from gross negligence, the court stated: "[t]hat a finding has often followed

they were aware in the hope that the examiner would sort it all out. The 1992 amendment to Rule 56 specifically exempts "cumulative" art from the duty of disclosure. *Infra* n. 293 and accompanying text.

230. 835 F.2d 1411 (Fed. Cir. 1987).

231. *Id.* at 1415.

232. *Id.* at 1415-16 n.9 (quoting *J.P. Stevens*, 747 F.2d at 1560).

233. *Id.* at 1415.

234. *Id.* at 1416 (emphasis in original).

from a set of facts does not reduce that finding to mere tautology effective without regard to all the evidence."²³⁵

The court again tried to unlink materiality and intent in *Allen Organ Co. v. Kimball International, Inc.*:²³⁶

However, materiality does not presume intent, which is a separate and essential component of inequitable conduct. The withholding of information must meet the thresholds of both materiality and intent, and absent intent to withhold it is not controlling whether the reference is found to anticipate or otherwise to be material. As discussed in *FMC Corp. v. Manitowoc Co.*, "[t]o be guilty of inequitable conduct, one must have intended to act inequitably."²³⁷

The court also applied more rigorously the *American Hoist & Derrick* test balancing materiality and intent.²³⁸ In *Specialty Composites v. Cabot Corp.*,²³⁹ the court affirmed a finding of no inequitable conduct where a patent agent "simply forgot" to disclose an arguably pertinent prior use: "Even if the failure to mention the existence of [the prior art] to the examiner rises above the threshold level of intent, there was no reversible error in view of the low level of materiality . . . found by the district court."²⁴⁰

Finally, at least for now, in *Kingsdown Medical Consultants v. Hollister Inc.*, the court *en banc* signed a concluding section of the opinion titled "Resolution Of Conflicting Precedent."²⁴¹ Chief Judge Markey, writing for a unanimous court, acknowledged that some of their opinions "have suggested that a finding of gross negligence compels a finding of an intent to deceive," whereas "[o]thers have indicated that gross negligence alone does not mandate a finding of intent to deceive."²⁴² Nevertheless, the court stated that gross negligence must be viewed "in light of all the circumstances" of a case and "must indicate sufficient culpability to

235. *FMC Corp. v. Hennessy Industries, Inc.*, 836 F.2d 521, 523 (Fed. Cir. 1987).

236. 839 F.2d 1556 (Fed. Cir.), *cert. denied*, 488 U.S. 850 (1988).

237. *Id.* at 1567 (citations omitted).

238. *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1363 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984).

239. 845 F.2d 981 (Fed. Cir. 1988).

240. *Id.* at 992-93.

241. 863 F.2d 867, 876-77 (Fed. Cir.), *cert. denied*, 490 U.S. 1067 (1988).

242. *Id.*

require a finding of intent to deceive."²⁴³

In *Merck & Co., Inc. v. Danbury Pharmacal, Inc.*, the court inferred intent from the documentary evidence and from the fact that the patent owner had submitted to the F.D.A. data that was withheld from the PTO.²⁴⁴ The trial court had found that the patent owner's explanation for the disparity "strains credulity".²⁴⁵ The court affirmed.

The district court found in *Hewlett-Packard Co. v. Bausch & Lomb Inc.*,²⁴⁶ that the patent owner submitted an inaccurate affidavit in an attempt to satisfy the "error-without-deceptive-intention" requirement of the reissue statute. No countervailing evidence of good faith had been introduced. The trial court found inequitable conduct based upon its finding of gross negligence but without any finding of intent to mislead the PTO. On appeal, the court remanded the case, noting that "the district court apparently understood that it was unnecessary to go beyond a finding of gross negligence."²⁴⁷ The court held that the district court had erred and that "[a] finding of intent to mislead is necessary."²⁴⁸

More significantly, the court's decisions can be read for the proposition that non-disclosure of prior art alone will no longer support a finding of unenforceability. Apposite here is *Halliburton Co. v. Schlumberger Technology Corp.*, in which the court reversed a finding of inequitable conduct based upon the failure to disclose seven different references. The Federal Circuit held the district court's findings of materiality to be clearly erroneous. With respect to intent, the court stated:

Gross negligence cannot elevate itself by its figurative bootstraps 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. An applicant's conduct in its entirety must "manifest[] a sufficiently culpable state of mind to warrant a determination

243. *Id.*

244. 873 F.2d 1418, 1422 (Fed. Cir. 1989).

245. *Id.* at 1420 (quoting *Merck & Co., Inc. v. Danbury Pharmacal, Inc.*, 694 F. Supp. 1, 34).

246. 882 F.2d 1556 (Fed. Cir. 1989).

247. *Id.* at 1562 (Fed. Cir. 1989) (citations omitted). On remand, in a three-page opinion, the district court made an express finding of intent to deceive based on the "totality of the circumstances" and "complete absence of evidence of good faith." *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 746 F. Supp. 1413, 1415 (N.D. Cal. 1990), *aff'd without opinion*, 925 F.2d 1480 (Fed. Cir. 1991), *cert. denied*, 111 S.Ct. 2854 (1991).

248. *Id.*

that it was inequitable."²⁴⁹

In each of its reported decisions since *Kingsdown*, the court has required non-disclosure plus some aggravating circumstance or an affirmative misrepresentation to the PTO to support a finding of inequitable conduct.²⁵⁰

249. 925 F.2d 1435, 1443 (Fed. Cir. 1991) (citation omitted).

250. Consolidated Aluminum Corp. v. Foseco Int'l Ltd., 910 F.2d 804, 806 (Fed. Cir. 1990) (affirmed inequitable conduct holding based on intentional concealment of best mode and disclosure of false, inoperable mode); Fox Indus. v. Structural Preservation Systems, 922 F.2d 801, 804 (Fed. Cir. 1990) (affirmed inequitable conduct holding based on non-disclosure of highly material prior art brochure applicant had used as source material in drafting application); LaBounty Mfg., Inc. v. U.S. Int'l Trade Comm'n, 958 F.2d 1066 (Fed. Cir. 1992) (affirmed inequitable conduct determination based on non-disclosure of applicant's commercialization of its own prior art devices); Paragon Podiatry Laboratory, Inc. v. KLM Laboratories, Inc., 984 F.2d 1182 (Fed. Cir. 1993) (affirmed summary judgement of inequitable conduct based on submission of deceptive affidavits concerning prior art and knowing failure to disclose pre-critical date commercial sales of patented device).

Mere non-disclosure of prior art is insufficient. See, e.g., Greenwood v. Hattori Seiko Co., Ltd., 900 F.2d 238, 241-42 (Fed. Cir. 1990) (reversed inequitable conduct holding based on submission of misleading Rule 131 affidavit where district court had made express finding of no intent to deceive); Hoffman-La Roche Inc. v. Lemmon Co., 906 F.2d 684, 688 (Fed. Cir. 1990) (vacated and remanded holding of inequitable conduct where District Court had inferred intent to deceive from gross negligence in failure to disclose material foreign patent applications); Scripps Clinic & Research Found. v. Genentech, Inc., 927 F.2d 1565, 1571-74 (Fed. Cir. 1991) (reversed summary judgment of inequitable conduct holding based on misrepresentation of facts material to enablement in specification because no intent was proven); Tol-O-Matic v. Proma Produkt-Und Marketing, 945 F.2d 1546, 1553 (Fed. Cir. 1991) (reversed inequitable conduct holding based on non-disclosure of a prior art foreign patent, in absence of any circumstantial evidence of intent to deceive); Engel Indus., Inc. v. Lockformer Co., 946 F.2d 1528, 1533-34 (Fed. Cir. 1991) (reversed inequitable conduct holding based on non-disclosure of "cumulative" prior art references).

Holdings of no inequitable conduct have been affirmed in all but one published opinion. RCA Corp. v. Data General Corp., 887 F.2d 1056, 1065 (Fed. Cir. 1989) (affirmed holding of no inequitable conduct due to alleged failure to reveal prior art); Manville Sales Corp. v. Paramount Systems, Inc., 917 F.2d 544, 551-52 (Fed. Cir. 1990) (affirmed holding of no inequitable conduct due to failure to disclose experimental use/sale because no intent shown); Amgen, Inc. v. Chugai Pharmaceutical Co., Ltd., 927 F.2d 1200, 1215 (Fed. Cir. 1991) (affirmed holding of no inequitable conduct due to alleged misrepresentation in examples and withholding of test data because neither intent nor materiality was found); Symbol Technologies, Inc. v. Opticon, Inc., 935 F.2d 1569, 1582 (Fed. Cir. 1991) (affirmed holding of no inequitable conduct due to failure to disclose prior art applicant "should have known was material" because no intent was shown); Kimberly-Clark Corp. v. Proctor & Gamble Distributing Co., 23 U.S.P.Q.2d 1921 (Fed. Cir. 1992) (affirmed holding of no inequitable conduct due to failure to disclose prior art when applicant's attorney had no intent to deceive PTO).

The one published opinion vacating a finding of no inequitable conduct involved special circumstances. Dana Corp. v. NOK, Inc., 882 F.2d 505, 508-09 (Fed. Cir. 1989) (district court finding of immateriality reversed in light of collateral estoppel effect of related proceeding finding materiality; remanded for finding on intent). On remand, the district court ultimately found no intent. *Sub nom.* Dana Corp. v. IPC Limited Partnership, 15 U.S.P.Q.2d 1658, 1660 (E.D.Mich. 1990).

*D. The Deference Due to Trial Courts and
the Deference Shown to Trial Courts*

As early as 1984, the court recognized that the gross negligence standard of intent combined with the lower standard of materiality was inducing parties to assert the inequitable conduct defense. In *Kimberly-Clark Corp. v. Johnson & Johnson*, the court stated that charges of fraud in the PTO have been overplayed, appearing in nearly every suit, and that they have been "cluttering up the patent system."²⁵¹ Nevertheless, the court itself did little to discourage litigants from raising the defense on appeal. The ultimate question of whether inequitable conduct had occurred was said to be a question of law.²⁵² This made appeal more attractive as decisions of law are fully reviewable, while findings of fact may only be reviewed under the "clearly erroneous" standard of Rule 52(a), F.R.-Civ.P.²⁵³ In addition, the court noted that since the factual situations in these types of cases vary greatly, they "must be decided on a case-by-case basis."²⁵⁴

These guidelines were all but an invitation to bring issues of inequitable conduct before the court. The court's early decisions also showed a great intolerance for sharp patent prosecution practice as evidenced by its lowering of the materiality and intent thresholds. For at least a time the court showed itself quite willing to substitute its assessment of the equities of a case for that of the trial court. In 1983 and 1984, the court reversed a half-dozen inequitable conduct decisions.²⁵⁵ Moreover, the increased attractiveness of the inequitable conduct defense was further enhanced by the difficulties facing accused patent infringers as a result of other factors affected by Federal Circuit decisions, e.g., burden of proof for invalidity

251. 745 F.2d 1437, 1454 (Fed. Cir. 1984).

252. *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1363-64 n.4 (Fed. Cir. 1984), cert. denied, 469 U.S. 821 (1984); *Argus Chemical v. Fibre Glass-Evercoat*, 759 F.2d 10, 13 (Fed. Cir. 1985), cert. denied, 474 U.S. 903 (1985); *In re Jerabek*, 789 F.2d 886, 890 (Fed. Cir. 1986).

253. *Compare Pullman-Standard v. Swint*, 456 U.S. 273, 287 (1982) with *Anderson v. City of Bessemer City*, 470 U.S. 564, 573-76 (1985).

254. *Kimberly-Clark*, 745 F.2d at 1454.

255. *Rohm & Haas Co. v. Crystal Chemical Co.*, 722 F.2d 1556 (Fed. Cir. 1983); *Driscoll v. Cebalo*, 731 F.2d 878 (Fed. Cir. 1984); *Hycor Corp. v. Schlueter Co.*, 740 F.2d 1529 (Fed. Cir. 1984); *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437 (Fed. Cir. 1984); *J.P. Stevens & Co., Inc. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553 (Fed. Cir. 1984), cert. denied, 474 U.S. 822 (1985); *Thompson-Hayward Chemical Co. v. Rohm & Haas Co.*, 745 F.2d 27 (Fed. Cir. 1984) (vacated and remanded with instructions to dismiss).

and standards for assessing obviousness.²⁵⁶

The court's frustration with the growing number of inequitable conduct cases was reflected in several of the opinions already discussed. In *FMC Corp. v. Manitowoc Co., Inc.*, Chief Judge Markey wrote that the inequitable conduct defense "is not, or should not be, a magic incantation to be asserted against every patentee."²⁵⁷ A year later in *Burlington Industries, Inc. v. Dayco Corp.*,²⁵⁸ Senior Judge Nichols pronounced that "the habit of charging inequitable conduct in almost every major patent case has become an absolute plague."²⁵⁹ He noted that although the allegations succeed in only a small percentage of cases, reputable attorneys seem to feel compelled to make the charge—perhaps in an attempt to guarantee that they represent their client's interests adequately. Since the parties necessarily attack the very core of one another's integrity in asserting such charges, increased assertion of the charges destroys any mutual respect between the parties and harms the reputation of the bar itself. Judge Nichols noted that although the charge was at one time known more pejoratively as "fraud on the Patent Office," the fact that the name has changed "does not make the thing itself smell any sweeter."²⁶⁰

The Federal Circuit in *FMC Corp. v. Manitowoc Co., Inc.* suggested that in order to limit the number of appeals, it would apply a standard of review more deferential to the district court's findings. The Circuit instructed district courts to evaluate "all of the evidence." It further instructed district courts to make findings of fact concerning materiality and intent, noting that these fact findings will only be reviewed under the "clearly erroneous" standard of F.R.Civ.P. Rule 52(a).²⁶¹

The most aggressive attempt to reduce the number of appeals concerning the inequitable conduct issue came in the court's *en banc* decision in *Kingsdown Medical Consultants v. Hollister Inc.*²⁶² In that decision, the court abandoned the notion of inequitable conduct as a question of law and instead focused on the equitable roots of the doctrine. In doing so,

256. E.g., *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1358-59 (Fed. Cir.), *cert. denied*, 469 U.S. 821 (1984); *Environmental Designs v. Union Oil Co. of Cal.*, 713 F.2d 693, 698 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 1043 (1984); *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1534-35 (Fed. Cir. 1983); *Jones v. Hardy*, 727 F.2d 1524, 1528-29 (Fed. Cir. 1984).

257. 835 F.2d 1411, 1415 (Fed. Cir. 1987).

258. 849 F.2d 1418 (Fed. Cir. 1988).

259. *Id.* at 1422.

260. *Id.*

261. 835 F.2d 1411, 1416 (Fed. Cir. 1987).

262. 863 F.2d 867 (Fed. Cir. 1988), *cert. denied*, 490 U.S. 1067 (1989).

the court held that the determination of inequitable conduct is to be left to the discretion of the trial court and may be reviewed only under an "abuse of discretion" standard.²⁶³ The *Kingsdown* court cited to *PPG Industries v. Celanese Polymer Pecialties Co.*,²⁶⁴ which held that in order to overturn a discretionary district court ruling, an appellant must demonstrate either that the ruling relied upon "clearly erroneous findings of fact or a misapplication or misinterpretation of applicable law" or that "the ruling evidences a clear error of judgment."²⁶⁵ In effecting this change, the court apparently intended to discourage parties from raising the issue on appeal by facilitating the appellate court's ability to affirm of the trial court as a matter of course.

Nevertheless, the court has still shown itself willing to substitute its own judgment for that of the district court. In *Halliburton Co. v. Schlumberger Technology Corp.*, the trial court found the patents in suit unenforceable based on seven prior art patents not disclosed to the PTO.²⁶⁶ The district court entered extensive findings concerning the undisclosed references taken in four groups. For each group, findings were made with respect to both materiality and intent.²⁶⁷ The district court also considered and rejected testimony concerning the good faith of the attorney who prosecuted the patents.²⁶⁸

The Federal Circuit reversed. On materiality, the court found that the trial court had "misconstru[ed] the crux of appellant's claimed inventions" and thus "missed the significance of the differences" between the uncited art and the claims at issue.²⁶⁹ With respect to intent, the court ignored the district court's adverse findings concerning the credibility of the prosecuting attorney, finding his testimony of good faith "objectively reasonable." The court held that the absence of materiality made the finding of intent based on gross negligence clearly erroneous.²⁷⁰

263. *Id.* at 876 (citations omitted).

264. 840 F.2d 1565 (Fed. Cir. 1988)

265. *Id.* at 1572 (Bissell, J., additional views).

266. 722 F. Supp. 324, 328-40 (S.D. Tex. 1989), *rev'd*, 925 F.2d 1435 (Fed. Cir. 1991).

267. *Id.*

268. *Id.* at 332.

269. *Halliburton Co. v. Schlumberger Technology Corp.*, 925 F.2d 1435, 1441 (Fed. Cir. 1991).

270. *Id.* at 1443.

IV. WHAT OF THE FUTURE?

Those who complain about the inequitable conduct decisions of the Federal Circuit fall primarily into two categories: (1) those who disagree with the standards applied by the court or inferred from its decisions with respect to materiality and intent, and (2) those who complain about the absence of uniformity or consistency in the court's decisions.

While the court grappled with the intent issue in the period between the *A.B. Dick* and *Kingsdown* decisions in the late 1980s,²⁷¹ the bar engaged in a concerted effort to change the standard of materiality to make the inequitable conduct defense more difficult to assert. Briefly in Congress, and then in the PTO, almost five years of debate culminated in a major revision of Rule 56 that took effect in March 1992. To date, no Federal Circuit decisions have interpreted the new standard of materiality adopted by the revised Rule. If, as it did in 1984, the court bases its assessment of materiality on "how one ought to conduct business with the PTO,"²⁷² then the new Rule may provide a new standard of "equitableness" against which a patent owner's conduct can be measured in litigation. In addition, the most recent decisions of the Federal Circuit leave a number of questions unanswered about the standards of intent, materiality and the Circuit's willingness to substitute its judgment for that of the district courts.

As for uniformity, it may be time to recognize that, unlike in other areas of patent law, the facts that present themselves in inequitable conduct cases are so diverse and so dependent on the reactions of the triers of fact to the witnesses and documents presented at trial, that true uniformity is simply not possible. The court, having elucidated perhaps as a clear standard as possible, may now leave that standard to be applied in the district courts on a case-by-case basis in an attempt to "do equity." Accordingly, the objective of reducing the number of appeals may best be accomplished by limiting the number of reversals for abuse of discretion as discussed in the Conclusion, *infra*.

271. *Supra* notes 224-43 and accompanying text.

272. *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 821 (1984).

A. The Changes to PTO Rule 56

By the time *A.B. Dick* had been decided in 1935, the line between equitable and inequitable conduct appeared to have shifted significantly in favor of parties asserting the defense. The hurdles of materiality and intent had been lowered to a point where non-disclosure of art that a reasonable examiner would have deemed "important" would certainly result in a finding of materiality and could easily lead to an inference of inequitable intent based on gross negligence.

This does not mean, however, that a significantly greater percentage of patents were being held unenforceable. To the contrary, a 1988 article reported that in the 1977-87 period, charges of inequitable conduct were rejected about seventy-five percent of the time at the district court level and that inequitable conduct was ultimately found in only about ten percent of the cases in which that issue was decided on appeal.²⁷³ But these statistics did not address the concern that the newly enunciated standards might tip those statistics in favor of the defense.

In March 1987, an American Intellectual Property Law Association Ad Hoc Committee on Rule 56 and Inequitable Conduct issued a position paper asserting that the inequitable conduct defense was having an adverse impact on the patent system. The Committee noted that the practical effect of the defense had been to create confusion and uncertainty as to the enforceability of many patents and to deny many worthy inventions patent protection. Such uncertainty lead to a proliferation of fraud charges; estimates indicated that inequitable conduct was raised in about 80% of all patent infringement cases. While these charges seldom prevailed, the fact that they inherently center around the "moral turpitude" of the inventor, patent owner, and patent attorney or agent increases hostility between parties, making settlement more difficult.²⁷⁴ The charges also divert attention from the merits of the case—whether the invention is patentable and whether the patent is being infringed.

The question of the "moral turpitude" of inventors and their attorneys relates to the presence or absence of intent to deceive the PTO. Rather

273. Donald R. Dunner, *Inequitable Conduct: Is The Sky Really Falling?*, 16 AIPLA Q.J. 27, 29 (1988). Another study reviewing 200 cases from 1945-85 concluded that proof of inequitable conduct "is more difficult than proving invalidity." James L. Rowe, *Fraud Statistics*, 16 AIPLA Q.J. 280, 286 (1988).

274. Committee Position Paper, *The Doctrine of Inequitable Conduct and The Duty of Candor in Patent Prosecution: Its Current Adverse Impact on the Operation of the United States Patent System*, 16 AIPLA Q.J. 74, 75 (1988) (footnote omitted).

than try to revise the gross negligence standard which had evolved, the Committee proposed instead to diminish the duty of disclosure so that materiality would be measured by a "but-for" test. Under this test, information misstated to or withheld from the PTO would only be held to be material when but for the withholding or misstatement of the information, "one or more claims of the patent should not have issued or should have issued with different scope."²⁷⁵ Presumably, if less art were deemed material, the failure to disclose could not be criticized regardless of whether the failure arose from gross negligence or intentional conduct.²⁷⁶

In January 1988, in a letter to the AIPLA, Donald J. Quigg, Commissioner of the PTO, enclosed a draft of a proposed Rule 57 to replace Rule 56. Subsection (b) incorporated the "but-for" test: "(b) Any individual designated in paragraph (a) of this section has a duty to disclose to the Office all information which that individual knows or should have known would render unpatentable any pending claim of the application."²⁷⁷ The Commissioner also proposed draft rules relating to the substance and timing of information disclosure statements that would satisfy the duty of disclosure.

In March 1988, legislation to revise the law of inequitable conduct was also introduced.²⁷⁸ The "Patent Licensing Reform Act of 1988" dealt primarily with an attempt to codify licensing practices that would or would not trigger the patent misuse defense. However, Section 3 of the bill also proposed to codify "fraud or other inequitable conduct" as an affirmative defense to a charge of infringement. The proposal retained the gross negligence standard of intent but included a "but-for" standard of materiality:

(2) For purposes of paragraph (1), "fraud or other inequitable conduct" in procuring a patent includes the intentional or grossly negligent failure of an individual to disclose to the Patent and Trademark Office information—

275. *Id.* at 85.

276. *See, e.g.,* Litton Indus. Prod., Inc. v. Solid State Systems Corp., 755 F.2d 153, 167 (Fed. Cir. 1985) ("[W]e need not be concerned with the question of intent, because the district court's finding of materiality was clearly erroneous.")

277. Letter from Donald J. Quigg, Comm'r of PTO, to Joseph A. DeGrandi, President of AIPLA, Jan. 11, 1988, *Patent and Trademark Office Proposals to Modify Rules 56 and 97-99*, 16 AIPLA Q.J. 96, 101 (1988).

278. H.R. 4086, 100th Cong., 2d Sess. (1988), *reprinted in* 35 PAT. TRADEMARK & COPYRIGHT J. (BNA) 385 (1988).

- (A) of which the individual has actual knowledge,
- (B) which that individual has a duty to disclose to the Patent and Trademark Office with respect to the patent claim, and
- (C) which the individual knows or should have known would render the claim unpatentable.²⁷⁹

The legislation was ultimately not enacted.

In October 1988, Mr. Quigg announced that the PTO would no longer evaluate matters relating to the question of deceptive intent. Noting the Federal Circuit's *Manitowoc* decision,²⁸⁰ the Commissioner pointed out that the PTO is not the best forum in which to determine whether there was any "intent to mislead."²⁸¹ The Commissioner stated that such a determination would best be made through witness cross-examination and that the PTO is not well equipped for such testimony. Furthermore, he noted that altering PTO procedures to allow such cross-examination would constitute ineffective use of resources. He also announced that the PTO would propose a rule change that would define material information as that "which an individual knows or should have known would render unpatentable any pending claim in an application."²⁸²

The proposed rule change, titled "Duty of Disclosure and Practitioner Misconduct" was published in March 1989.²⁸³ It was primarily intended "to clarify the duty of disclosure standard" but also to diminish the burden patent applicants face in complying with the duty of disclosure. The rule was also intended to provide clear procedures and mandatory deadlines for submitting information that would help reduce the risk of valuable patent rights being lost. The PTO expressed that the threat of litigation will provide sufficient incentive for adequate disclosure. It noted that an applicant could completely avoid or develop a strong defense to potential inequitable conduct charges by disclosing close art or information. By refusing to disclose such art, the applicant would bear the risk that "a court may find that the withheld information does, in fact, affect patentability."²⁸⁴

279. *Id.* at 386-387.

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

281. *Patent and Trademark Office Implementation of 37 C.F.R. 1.56*, 1095 OFF. GAZ. PAT. OFFICE 16 (Oct. 11, 1988).

282. *Id.* at 17.

283. 54 Fed. Reg. 11,334 (1989).

284. *Id.* at 11,335.

The PTO emphasized that it was proposing an objective "but-for" standard "not based on the subjective determination of any particular examiner" but rather on "an objective legal conclusion as to the patentability of one or more claims" under the patent statute and case law.²⁸⁵ Contrary to the *A.B. Dick* decision, if the examiner found the art himself, the duty of disclosure would have been satisfied.²⁸⁶ Furthermore, in response to a contrary precedent,²⁸⁷ inequitable conduct would not be found based upon conduct with respect to cancelled claims or abandoned applications. The text of proposed Rule 57(b) itself stated:

This duty continues with respect to the pending claim until it is canceled or the application becomes abandoned at which time the duty ceases. Thus, the duty is violated only if a patent issues with a claim which would be rendered unpatentable by the withheld information when all the facts of record in the patent file and known to the individuals designated in paragraph (a) of this section at the time the patent issues are considered.²⁸⁸

At the May 1989 Spring Meeting of the AIPLA and at a June 1989 PTO hearing, attorneys complained about the new rule to the extent that defined material information which an inventor or his attorney "should have known."²⁸⁹ Nevertheless, the proposed rule was deemed an improvement over the existing standard, which was denounced as a patent-killing "virus."²⁹⁰

Over a year later, at an August 4, 1990 meeting of the ABA's Section of Patent, Trademark and Copyright Law, the new Commissioner of Patents and Trademarks, Harry F. Manbeck, announced that he would not embrace the "materiality" standard of proposed Rule 57. The Commis-

285. *Id.* at 11,336.

286. *Id.*

287. *Argus Chemical Corp. v. Fibre Glass-Evercoat Co.*, 759 F.2d 10, 12 (Fed. Cir.), cert. denied, 474 U.S. 903 (1985); *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392, 1398 (Fed. Cir. 1986).

288. 54 Fed. Reg. at 11,341.

289. One attorney called proposed rule 57(b) "the badge of simple negligence." *AIPLA Meeting Examines PTO's Proposed Rule 57*, 38 PAT. TRADEMARK & COPYRIGHT J. (BNA) 127, 128 (1989). Another was reported to say that it would be "extremely expensive in litigation." *'But For' Materiality Standard Endorsed at Hearing on Disclosure Rules Revision*, 38 PAT. TRADEMARK & COPYRIGHT J. (BNA) 242, 243 (1989).

290. *Id.* at 243.

sioner reasoned that (1) the standard enunciated in the Rule 56 of that time appeared to be best equipped for bringing forward information needed by patent examiners, and (2) that the same standard was also followed by the Federal Circuit in many cases including *Merck & Co. v. Danbury Pharmaceutical Inc.*,²⁹¹ a case which had been decided after the proposed Rule 57 was published and available for comments.²⁹² Mr. Manbeck did promise, however, that a new Rule 56 would be proposed in the future. On August 8, the Section adopted by a 69-1 vote a resolution calling for a change to a "but-for" standard.²⁹³

Another year passed, and on August 6, 1991, a Notice of Proposed Rulemaking titled "Duty of Disclosure" was published.²⁹⁴ Section 1.56(a) of the proposal began with a statement of policy that echoed the Supreme Court's 1945 decision in *Precision* and the C.C.P.A.'s 1970 decision in *Norton*:

(a) A patent by its very nature is affected with a public interest. The public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability.²⁹⁵

The rule set forth a general "duty of candor and good faith," which includes the duty to disclose art "material to patentability."²⁹⁶ The standard was defined in subsection (b) to encompass material "not cumulative to information already of record" that creates a "prima facie case of unpatentability" or that supports arguments of unpatentability.²⁹⁷ In addition to defining a normative standard, the proposed rule also provided guidance for the first time regarding conduct closer to the line between equitable and inequitable behavior. To ensure that all material information would be disclosed to the PTO, the Office encouraged applicants to carefully examine prior art cited in search reports of foreign patent offices as well as information which seems closely related to any pending patent

291. 873 F.2d 1418 (Fed. Cir. 1989).

292. 40 PAT. TRADEMARK & COPYRIGHT J. (BNA) 323 (1990).

293. *Id.* at 324.

294. 56 Fed. Reg. 37,321 *et seq.* (1991).

295. *Id.* at 37,329; compare text accompanying *supra* notes 65 and 116.

296. *Id.*

297. *Id.*

claim.²⁹⁸

The proposal said nothing about intent. It also made more flexible the proposed requirements for the filing of an Information Disclosure Statement.²⁹⁹ And the PTO, perhaps in response to complaints about proposed Rule 57, emphasized that "[t]he duty contemplated by proposed § 1.56 requires both knowledge of the information and knowledge of its materiality."³⁰⁰

Reaction to the proposed rule was lukewarm at best. At the annual meeting of the ABA's Patent, Trademark and Copyright Law Section in August 1991, a resolution in support of the proposal was defeated 51 to 78.³⁰¹ Sixty written comments were received by the PTO concerning the proposed rule, and eleven individuals testified at an October 1991 hearing.³⁰² The Notice of Final Rulemaking included an extensive discussion of these comments and suggestions.³⁰³ These will doubtless provide a fertile source of "legislative history" as the new rule is litigated.

Rule 56, as adopted, defined materiality as follows:

(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, 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.³⁰⁴

The PTO made plain that the new rule was broader than the objective "but-for" standard sought by various members of the bar. That objective "but-for" standard, the PTO argued, would not allow it to obtain the information it needed to properly assess the patentability of the pending

298. *Id.*

299. *Id.* at 37,329-31.

300. *Id.* at 37,322.

301. 42 PAT. TRADEMARK & COPYRIGHT J. (BNA) 417, 419 (1991).

302. 57 Fed. Reg. 2021 (1992).

303. *Id.* at 2021, 2022-23 (1992).

304. 37 C.F.R. §§ 1.56(a)-(b) (1992).

claims.³⁰⁵

The new Rule 56 solves some problems but creates others. From an administrative point of view, it formally relieves the PTO of the need to consider fraud issues in the context of *ex parte* patent prosecution, codifying by omission the PTO's October 1988 policy decision in this regard.³⁰⁶ Furthermore, it gives applicants more specific direction regarding what is expected of them to satisfy the duty of disclosure.

Nevertheless, requiring an applicant to disclose information that "establishes a *prima facie* case of unpatentability," may place an applicant, and particularly his or her attorney, in the uncomfortable position of having first to disclose and then to refute arguments that might not have occurred to the patent examiner. Although the conflicting duties of the attorney to the applicant and to the patent system have long been recognized as a problem,³⁰⁷ it remains to be seen how the PTO and the courts will interpret this provision of Rule 56. The starting point for the development of the law will doubtless be the Federal Circuit's warning in *LaBounty Manufacturing, Inc. v. U.S. International Trade Commission*, that "[c]lose cases should be resolved by disclosure, not unilaterally by the applicant."³⁰⁸

B. Open Issues in Federal Circuit Decisions

Few court decisions completely resolve any point of law. The inequitable conduct decisions of the Federal Circuit are no exception.

With respect to the standard of intent, the court's decision in *Kingsdown* held that all evidence, including that regarding good faith, "must indicate sufficient culpability to *require* a finding of intent to deceive."³⁰⁹ It remains to be seen whether the court will interpret this case in the future as distinguishing the cases that permit such a finding but not require it. Such an interpretation would be consistent with the burden of proof, which requires clear and convincing evidence to sustain the inequitable conduct defense.³¹⁰ However, no distinction appears to have been drawn in any

305. 57 Fed. Reg. 2024 (1992).

306. *Supra* note 281.

307. *Supra* note 4 and accompanying text.

308. 958 F.2d 1066, 1076 (Fed. Cir. 1992).

309. *Kingsdown Medical Consultants v. Hollister Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (emphasis added).

310. *Supra* note 175.

of the court's decisions considering the intent issue since *Kingsdown*.³¹¹

On the issue of materiality, we have yet to see how the court will apply the standard of the 1992 revision of PTO Rule 56. In 1984, in *American Hoist*, the court adopted the PTO standard of materiality as "an appropriate starting point" because it "most closely aligns with how one ought to conduct business with the PTO."³¹² At first blush, it would seem that the new statement of the materiality standard equates materiality with unpatentability which, in the context of litigation, means invalidity. Put another way, if the test for materiality requires proof of invalidity, why litigate inequitable conduct, which requires the additional proof of intent?

However, the new Rule 56 establishes a "duty of good faith and candor," only one aspect of which is the duty to disclose material art. During the comment period, it was suggested that the proposed rule read literally would permit a "conspiracy of silence" in which the applicant does not appreciate materiality and the attorney does not ask. The PTO responded that such a problem would not occur since the term "conspiracy" itself connotes unlawfulness, which violates the duty of candor and good faith.³¹³ Doubtless other scenarios will appear in litigation that will further define the duty of good faith and candor over time.

Finally, with respect to the standard of review, it is difficult to reconcile the "abuse of discretion" standard announced in *Kingsdown*³¹⁴ with the court's decision reversing the district court's findings in *Halliburton*.³¹⁵ Presumably, a review for abuse of discretion will defer to the findings of the district court to the greatest extent. Following this rationale, the court has routinely affirmed decisions that turned on the question of intent unless the court below improperly applied a gross negligence test.³¹⁶ It remains to be seen, however, whether the court will give the same deference to trial courts on issues of materiality. The *Halliburton* decision raises the possibility that the court will continue to draw upon its expertise in determining what must be and what need not be disclosed in patent prosecution.

If so, the court will again be at cross purposes with the goal of reducing the number of appeals. An attorney faced with an unfavorable result concerning inequitable conduct cannot tell which court's assessment of the

311. *Supra* note 250 and accompanying text.

312. 725 F.2d 1350, 1362-63 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 821 (1984).

313. 57 Fed. Reg. 2021, 2026 (1992).

314. *See supra* note 263 and accompanying text.

315. 925 F.2d 1435, 1441 (Fed. Cir. 1991).

316. *See supra* notes 247, 250 and accompanying text.

facts in *Halliburton* was more sound. Nevertheless, the willingness of the Federal Circuit to reverse such a painstaking analysis of the issue can only encourage counsel to take a chance on appeal, particularly where the attorney believes—as most advocates naturally would—that the error in his or her case is at least as compelling as the situation in *Halliburton*.

CONCLUSION: THE ELUSIVE GOAL OF UNIFORMITY

As early as 1986, two commentators reviewing the Federal Circuit decisions on inequitable conduct concluded that the court's opinions "constitute[d] a microcosm of the prior history of the prohibitions against improper conduct before the [Patent] Office, as developed in the district courts and separate courts of appeal," as their decisions in the area conflicted even when factual situations were highly analogous.³¹⁷ Other commentators have reached similar conclusions.³¹⁸ Given that a lack of uniformity has been the history of the law in this area, two questions remain: (1) is true uniformity possible? and (2) if not, how much uncertainty in the law is tolerable?

The Federal Circuit has made uniform the statement of the elements of the defense, the burden of proof, and the effect on an issued patent of a finding of inequitable conduct. However, because the defense is an equitable doctrine, the results reached in particular cases will almost necessarily vary. In applying to a set of facts each of the rubrics of the law, e.g., "there is no duty to cite merely cumulative art,"³¹⁹ a trial court will be influenced by the testimony of witnesses whose credibility will vary, by the court's own reactions to documentary and circumstantial

317. Kenneth R. Adamo & Robert P. Ducatman, *The Status of the Rules of Prohibited Conduct Before the Office: "Violation of the Duty of Disclosure" out of "Inequitable Conduct" by "Fraud,"* 68 J. PAT. & TRADEMARK OFF. SOC'Y 193, 194 (1986).

318. Laurence H. Pretty, *Inequitable Conduct in the PTO — Is the "Plague" Entering Remission?*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 46 (1989) ("If the defense has reached the stage of a plague, the Federal Circuit itself has been to some extent its carrier by the inconsistency of its decisions in recent years."); Donald S. Chisum, *Patent Law and the Presumption of Moral Regularity: A Critical Review of Recent Federal Circuit Decisions on Inequitable Conduct and Willful Infringement*, 69 J. PAT. & TRADEMARK OFF. SOC'Y 27, 29 (1987) ("The law on these subjects is currently in a state of uncertainty."); *id.* at 41 (decries "current absence of predictability in this area of the law"); John F. Lynch, *An Argument for Eliminating the Defense of Patent Unenforceability Based on Inequitable Conduct*, 16 AIPLA Q.J. 7, 8, 14-15 (1988).

319. See *supra* note 193 and accompanying text.

evidence, and by the court's general sense of what constitutes a "just" result. A court's conclusion in its printed decision that the uncited art is or is not "cumulative" seldom reflects the subtleties of the process by which the court reached its decision.³²⁰

Even the rubrics themselves are sufficiently broad to allow growth and change over time.³²¹ This evolution can be seen in the changing judicial perceptions of the duty of disclosure and inequitable intent from the 1950's to the 1970's, and in the Federal Circuit's decisions concerning the inference of intent from gross negligence.³²² Similarly, the new more detailed definition of materiality in the 1992 amendments to Rule 56 will almost certainly not cover all fact situations that are likely to arise.³²³

The law as it has developed establishes certain norms of equitable conduct. As fact patterns repeat themselves, issues that were at the cutting edge of the law become more clearly resolved. An example of this is the cautionary language of Rule 56(a) that "encourages applicants to carefully examine" art cited in foreign prosecutions and the art that the applicant considers close. Moreover, the law is and has been reasonably clear that, in close cases, an applicant should err in favor of disclosure.³²⁴

It therefore appears that the court has given sufficient guidance for the vast majority of patent applicants to fulfill the duty of good faith and

320. Compare the law of obviousness, in which the factual analysis required by *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966), presents fact issues that recur from case to case. See *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1566 (Fed. Cir. 1987), *cert. denied*, 481 U.S. 1052 (1987). Even there, however, the category of "objective evidence" is sufficiently broad to allow for the variety of extrinsic facts that appear from case to case.

321. This growth was observed over 70 years ago:

The rules and principles of case law have never been treated as final truths, but as working hypotheses, continually retested in those great laboratories of the law, the courts of justice. Every new case is an experiment; and if the accepted rule which seems applicable yields a result which is felt to be unjust, the rule is reconsidered. It may not be modified at once, for the attempt to do absolute justice in every single case would make the development and maintenance of general rules impossible; but if a rule continues to work injustice, it will eventually be reformulated. The principles themselves are continually retested; for if the rules derived from a principle do not work well, the principle itself must ultimately be re-examined.

BENJAMIN CARDOZO, *THE NATURE OF THE JUDICIAL PROCESS* 23 (1921) (quoting MONROE SMITH, *JURISPRUDENCE* 21 (1909)).

322. *Supra* Sections II, Part C and III, Part C.

323. *Supra* Section IV, Part A.

324. See, e.g., *LaBounty Mfg., Inc. v. U.S. Int'l Trade Comm'n*, 958 F.2d 1066, 1076 (Fed. Cir. 1992) ("Close cases should be resolved by disclosure . . ."); *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1363 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 821 (1984).

candor. There will be fact situations that fall near or beyond the boundaries of equitableness, some in good faith, some not, but this appears to be unavoidable.

What chance is there of stemming what the court called the "plague" of inequitable conduct charges in litigation? At the trial level, very little. The revisions to Rule 56 and the background comments of the PTO make plain that the courts, not the PTO, are to be forum for enforcement of the duty of good faith and candor.³²⁵

At the appellate level, by adopting the standard of review based on abuse of discretion, there is a potential to reduce the number of appeals of inequitable conduct decisions. However, the abuse of discretion standard has been given various interpretations, with the courts of appeals deferring to trial courts in varying degrees on different types of issues.³²⁶

To reduce the number of appeals concerning inequitable conduct, it may be necessary for the Federal Circuit "to sustain rulings of the trial judge which it disapproves but does not consider to be outside the ball park."³²⁷ To the extent that the Federal Circuit cedes that much latitude to the district courts, and to the extent that those courts make plain when their rulings are based on credibility of witnesses and similar factors within the trial court's expertise, affirmances may become the norm and the incentive to attempt to retry unenforceability issues on appeal may be reduced.

325. *Supra* notes 280-84 and accompanying text.

326. *See* Friendly, *supra* note 181, at 755-56.

327. *Id.* at 754.

