

In the
United States Court of Appeals
for the **Federal Circuit**

THERASENSE, INC. (now known as Abbott Diabetes Care, Inc.)
and ABBOTT LABORATORIES,

Plaintiffs-Appellants,

v.

BECTON, DICKINSON AND COMPANY
and NOVA BIOMEDICAL CORPORATION,

Defendants-Appellees,

and

BAYER HEALTHCARE, LLC,

Defendant-Appellee.

Appeal from the United States District Court
for the Northern District of California in Consolidated Case Nos.
04-CV-2123, 04-CV-3327, 04-CV-3732, and 05-CV-3117
The Honorable **William H. Alsup**, Judge Presiding.

**BRIEF OF *AMICI CURIAE* ACACIA RESEARCH CORPORATION AND 1ST
MEDIA, LLC IN SUPPORT OF NEITHER PARTY AND IN SUPPORT OF
RETURNING THE “UNENFORCEABILITY” DEFENSE TO ITS
TRADITIONAL SCOPE OF “UNCLEAN HANDS”**

ROBERT P. GREENSPOON
FLACHSBART & GREENSPOON, LLC
333 N. Michigan Avenue, 27th Floor
Chicago, Illinois 60601
(312) 551-9500

*Attorney for Acacia Research Corporation and
1st Media, LLC*

Dated: July 30, 2010



CERTIFICATE OF INTEREST

Counsel for *Amici Curiae* Acacia Research Corporation and 1st Media,

LLC certifies the following:

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

Acacia Research Corporation; 1st Media, LLC.

2. The name of the real party in interest I represent is:

Acacia Research Corporation; 1st Media, LLC.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are: None. (Acacia Research Corporation is publicly traded on NASDAQ under ticker symbol ACTG).

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

Robert P. Greenspoon
Flachsbart & Greenspoon, LLC
333 N. Michigan Ave., 27th Floor
Chicago, IL 60601
Tel: 312-551-9500
Fax: 312-551-9501

Dated: July 30, 2010



Robert P. Greenspoon
Flachsbart & Greenspoon, LLC

TABLE OF CONTENTS

CERTIFICATE OF INTEREST.....	i
TABLE OF CONTENTS	ii
TABLE OF AUTHORITIES	iii
I. STATEMENT OF INTEREST	1
II. STATEMENT OF CONSENT	2
III. SUMMARY OF THE ARGUMENT	2
IV. ARGUMENT	3
A. UNDER <i>ARISTOCRAT</i> , THE DEFENSE SHOULD NOT EXIST	3
B. SECTIONS 253 AND 288 DO NOT CREATE A DEFENSE	15
C. HIGH COSTS OF THE DEFENSE RETURN NO BENEFITS	20
V. CONCLUSION	23
CERTIFICATE OF SERVICE	25
CERTIFICATE OF COMPLIANCE	26

TABLE OF AUTHORITIES

Cases

<i>Aristocrat Tech v. Int’l Game Tech.</i> , 543 F.3d 657 (Fed. Cir. 2008)	3, 5, 15, 16, 17, 18
<i>Art Metal Works, Inc., v. Abraham & Straus, Inc.</i> , 70 F.2d 641 (2d Cir. 1934)	4
<i>Bradford Co. v. Jefferson Smurfit Corp.</i> , 2001 U.S. App. LEXIS 25205 (Fed. Cir. 2001)	19
<i>Central Bank of Denver v. First Interstate Bank of Denver</i> , 511 U.S. 164 (1994), <i>superseded on other grounds by</i> 15 USC § 78t(e) (1995)	4
<i>Cordance Corp. v. Amazon.com, Inc.</i> , 631 F. Supp. 2d 484 (D. Del. 2009)	19
<i>Davis v. Michigan Dep’t of Treasury</i> , 489 U.S. 803 (1989)	6
<i>Director of Revenue of Mo. v. CoBank, ACB</i> , 531 U.S. 316 (2001)	18
<i>Hazel-Atlas Glass Co. v. Hartford-Empire Co.</i> , 322 U.S. 238 (1944), <i>overruled on other grounds by</i> <i>Standard Oil Co. v. United States</i> , 429 U.S. 17 (1976)	7, 9, 10
<i>J.P. Stevens & Co. v. Lex Tex, Ltd.</i> , 747 F.2d 1553 (Fed. Cir. 1984)	4
<i>Keystone Driller Co. v. Gen. Elec.</i> , 290 U.S. 240 (1933)	7, 8, 9
<i>Lorillard Inc. v. Pons.</i> , 434 U.S. 575 (1978)	6
<i>Marks v. Polaroid Corp.</i> , 129 F. Supp. 243 (D. Mass. 1955)	12
<i>Meghrig v. KFC Western, Inc.</i> , 516 U.S. 479 (1996)	14
<i>Midlantic Nat’l Bank v. N.J. Dep’t of E.P.</i> , 474 U.S. 494 (1983)	6

<i>Norton v. Curtiss</i> , 433 F.2d 779 (C.C.P.A. 1970)	3
<i>Precision Instrument Mfg. Co. v. Automotive Maintenance and Machining Company</i> , 324 U.S. 806 (1945)	4, 7, 10, 11
<i>Quantum v. Rodime, PLC</i> , 65 F.3d 1577 (Fed. Cir. 1985)	17
<i>Symbol Techs. Inc. v. Lemelson Med.</i> , 277 F.3d 1361 (Fed. Cir. 2002)	12
<i>U.S. v. Standard Elec. Time Co.</i> , 155 F. Supp 949 (D. Mass. 1957)	13
<i>Whitman v. American Trucking Ass'ns, Inc.</i> , 531 U.S. 457 (2001).....	18
Statutes	
Patent Act of 1870, Ch. 230, 16 Stat. 198-217 (1870)	7, 8
35 U.S.C. § 253 (1975).....	15, 16, 19
35 U.S.C. § 282 (1999)	2, 3, 5, 6, 16, 17, 18, 19
35 U.S.C. § 288 (1975).....	15, 16, 17, 19
Legislative Materials	
S. Rep. No. 82-1979 (1952).....	6, 17
Records, Briefs, and Petitions	
Brief for the American Bar Association as Amicus Curiae Supporting Neither Party, <i>Therasense, Inc. v. Becton, Dickinson & Co.</i> , Nos. 2008-1511, -1512, -1513, -1514, -1595 (Fed. Cir. Apr. 26, 2010).....	20
Declaration of Lawrence S. Pope, <i>Therasense, Inc. v. Becton, Dickinson & Co.</i> Nos. 2008-1511, -1512, -1513, -1514, -1595, (Fed. Cir. Jan. 25, 2010)	22

Secondary Materials

- Donald S. Chisum, *Best Mode Concealment and Inequitable Conduct in Patent Procurement: A Nutshell, A Review of Recent Federal Circuit Cases and a Plea for Modest Reform*, 13 SANTA CLARA COMPUTER & HIGH TECH L.J. 277, 279 (1997) 20
- P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc’y, 161 (1993) 12
- Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 Harv. J.L. & Tech. 37 (1993) 3, 7, 8, 12
- U.S. Pat. & Trademark Office, U.S. Dep’t of Commerce, *Manual of Patent Examining Procedure* (8th ed., 8th rev. 2008) 11

I. STATEMENT OF INTEREST

Amici Curiae are members of the patent owning community who have an interest in clear, predictable patent enforceability rules. In prior enforcement actions they have each been targeted with “inequitable conduct” pleadings that infringers asserted in the absence of any “unclean hands.” *Amici* therefore hold an interest in seeing the “unenforceability” defense cabined to its appropriate scope.

A. Acacia Research Corporation

Acacia Research Corporation (“Acacia”) is a publicly traded company (NASDAQ: ACTG), and a leader in patent licensing. Its operating subsidiaries have a proven track record of licensing success with more than 740 license agreements executed through 2009. Acacia levels the playing field for individuals and small enterprises, creating opportunities that would not otherwise exist for innovators to realize just rewards promised by the patent system. In a typical rights-acquisition arrangement, Acacia’s counterpart (usually an individual inventor or small company) receives an upfront payment, or a percentage of the operating subsidiaries’ net recoveries from the licensing and enforcement, or a combination of the two.

B. 1st Media, LLC

1st Media, LLC (“1st Media”) is a leading technology company with a patent portfolio of advanced Internet and multimedia entertainment innovations. Internet pioneer Dr. Scott Lewis heads 1st Media. Dr. Lewis led the development of the world's first single integrated circuit chip with on-board video and audio compression. Dr. Lewis also developed adaptive digital signal processing technology while at Oxford University, and pioneered multiple broadband Internet and multimedia technologies.

II. STATEMENT OF CONSENT

Acacia and 1st Media have permission to file as *Amici Curiae* based on the text of the April 26, 2010 Order granting *en banc* review, as well as express consent from all parties dated July 28, 2010.

III. SUMMARY OF THE ARGUMENT

Patent defenses are statutory, but inequitable conduct has no statutory support: it is not one of the enumerated defenses under 35 U.S.C. § 282; the 1952 statutory word “unenforceability” does not carry it in; and the fourth catch-all paragraph of Section 282 does not carry it in from other Patent Act sections. Therefore, the post-1952 judicially created inequitable conduct defense should not exist. *Amici Curiae* Acacia and 1st Media contend that this Court should confirm that “unclean hands” is a proper defense, rather

than “inequitable conduct.” The social cost of keeping inequitable conduct as a defense is enormous, while the benefits are minimal or nonexistent.¹

IV. ARGUMENT

A. UNDER *ARISTOCRAT*, THE DEFENSE SHOULD NOT EXIST

Under the Patent Act of 1952, only enumerated patent defenses exist. *Aristocrat Tech. v. Int’l Game Tech.*, 543 F.3d 657, 661-63 (Fed. Cir. 2008). Inequitable conduct is not one of them. 35 U.S.C. § 282 (1999).² The words “inequitable conduct” are not in Section 282, either separately or together. The defense arose from numerous regional court of appeals decisions, all of which post-date the Patent Act of 1952. Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 Harv J.L. & Tech. 37, 55-67 (1993). The defense entered this Court’s jurisprudence because the Court of Customs and Patent Appeals adopted it in large part in *Norton v. Curtiss*, 433 F.2d 779 (C.C.P.A. 1970), during times of strong anti-patent and anti-monopoly sentiment.

¹ *Amici* therefore respond “yes” to issues 1, 2 and 5 in the April 26, 2010 Order granting *en banc* review. *Amici* do not directly address issues 3, 4 or 6 because adopting *Amici’s* positions moots those issues.

² *Aristocrat* refers to an inequitable conduct defense, but that reference was not necessary for the holding, did not arise from any analysis of where it might fit within the Section 282 framework, and was constrained by the fact that the *Aristocrat* panel did not have the power of an *en banc* court to overrule prior panel decisions recognizing the defense.

Dictum in *J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984) links inequitable conduct to Section 282, but this *dictum* is wrong. In *J.P. Stevens*, the court assumed (without analysis) that “at the time the Patent Act was enacted Supreme Court cases had treated inequitable conduct as an ‘unclean hands’ type defense,” and thus as a type of unenforceability. *Id.* To the contrary, no Supreme Court case had treated inequitable conduct before the United States Patent and Trademark Office as unclean hands.³

It does not matter that the statutory misinterpretation has lasted so long. Even a long-term statutory misconstruction will not bar restoring the patent system to its statutory limits. See *Central Bank of Denver v. First Interstate Bank of Denver*, 511 U.S. 164, 177, 191 (1994), *superseded on*

³ *Precision Instrument Mfg. Co. v. Automotive Maintenance and Machining Company*, 324 U.S. 806, 818-19 (1945) is often miscited in this regard. The single definitional use in that decision of the term “inequitable conduct” referred to the litigant’s actions before an equity court “affirmatively to magnify and increase [the] effects” of a prior perjury. *Id.* at 819. While the prior perjury happened in Patent Office interference proceedings, the term itself “inequitable conduct” referred solely to the magnification and augmentation of the perjury’s effect in later equity court proceedings. *Id.* That unique factual record supported unenforceability “by resort to the unclean hands doctrine.” *Id.* at 819. Most commonly, the term “inequitable conduct” had the meaning today attributed to “patent misuse” – that is, overstating the scope of patent rights for anticompetitive effect. *E.g.*, *Art Metal Works, Inc. v. Abraham & Straus, Inc.*, 70 F.2d 641, 644 (2d Cir. 1934).

other grounds by 15 USC § 78t(e) (1995) (overruling sixty years of allowance of a statutory cause of action because Congress had not expressly provided for that cause of action).

Aristocrat holds that a defense does not exist if it cannot be linked to the words of Section 282. In *Aristocrat*, the defendant tried to advance a defense of “improper revival” and “abandonment” of a patent during Patent Office proceedings. *Aristocrat*, 543 F.3d at 660. A panel of this Court observed that Section 282 of the Patent Act of 1952 (as amended) restricted the range of recognized defenses only to those listed by, or incorporated into, Section 282. *Id.* at 661-63. Improper revival and abandonment were neither listed nor incorporated through other statutory sections, and therefore were not proper defenses. *Id.* at 662-63. Even though the concept of abandonment existed in the Patent Act, it never appeared in any context related to litigation defenses. *Id.* Here, no reference to “inequitable conduct” appears in Section 282. It does not appear in any part of the Patent Act. The argument for eliminating the defense is therefore stronger than that for eliminating abandonment and improper revival.

Standard canons of statutory construction refute any argument that Congress might have authorized inequitable conduct as a form of unenforceability. Legal terms of art in an Act of Congress, like

“unenforceability,” are interpreted according to the meaning they had at the time of enactment. *Midlantic Nat’l Bank v. N.J. Dep’t of E.P.*, 474 U.S. 494, 501 (1983) (“if Congress intends for legislation to change the interpretation of a judicially created concept, it makes that intent specific”). Similarly, unless Congress conveys a contrary intent, when an Act codifies pre-existing law, it codifies the legal standards that existed at the time of the enactment. *Davis v. Michigan Dep’t of Treasury*, 489 U.S. 803, 813 (1989) (“When Congress codifies a judicially defined concept, it is presumed, absent an express statement to the contrary, that Congress intended to adopt the interpretation placed on that concept by the courts.”); *Lorillard Inc. v. Pons.*, 434 U.S. 575, 580-81 (1978) (Congress is presumed to have knowledge of administrative or judicial statutory interpretations when reenacting a statute without change or incorporating sections of a prior law that may affect a new statute).

Here, the legislative history of Section 282 is informative. While it does not express a specific intended meaning for the word “unenforceability,” it does show that Congress merely intended to carry over the pre-existing law on the subject matter. S. Rep. No. 82-1979, amend. no. 3 (1952) (amending into Section 282 the words “or unenforceability” without defining the word “unenforceability,” and stating, “The defenses to

a suit for infringement are stated in general terms, changing the language in the present statute, *but not materially changing the substance*” (emphasis added)).⁴

The pre-existing law was Section 61 of the prior Patent Act, first enacted in 1870, as well as a trilogy of Supreme Court equity court decisions: *Precision*, 324 U.S. 806; *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944), *overruled on other grounds by Standard Oil Co. v. United States*, 429 U.S. 17 (1976); and *Keystone Driller Co. v. Gen. Elec.*, 290 U.S. 240 (1933). (Section 61 became Section 4920 of the Revised Statutes of 1874, and Section 69 of Title 35 in 1925. Goldman, 7 Harv.J.L. & Tech. at 43 n.31.) Section 61 (and its later forms as Sections 4920 and 69) authorized the following as a defense to a claim for patent infringement:

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 who was using reasonable diligence in adapting and perfecting the same.

⁴ See also Goldman, 7 Harv.J.L. & Tech. at 52-53.

Patent Act of 1870, Ch. 230, 16 Stat. 198-217, §61 (1870). Neither of these paragraphs sets up generalized fraud in procurement of a patent, but only deception related to the description and specification, or the claim of inventorship. It follows that today's inequitable conduct defense did not exist in the preexisting statutory law that Congress intended to codify in the 1952 Act. Nor had caselaw set up any such thing by 1952.⁵

Before 1952, the Supreme Court sitting in equity recognized a limited private defense based on certain specific fraud or misuse fact-patterns. Goldman, 7 Harv.J.L. & Tech. at 44-52. But that defense did not include anything remotely similar to today's inequitable conduct defense. Even giving the term "unenforceability" mentioned in Section 282 an extremely broad interpretation based on the facts of Supreme Court equity decisions, such facts were rare and extraordinarily egregious. More to the point, they did not involve mere nondisclosure of material information.

For example, in *Keystone Driller*, the Court affirmed a decree requiring a district court to dismiss certain complaints because of the patentee's present use of a prior fraud on a court. 290 U.S. at 247. In the

⁵ A legal database search of the term "inequitable conduct" and "patent" in federal court decisions before 1953 (LEXIS all federal cases) yields eighty-eight results (only a few of which involved patent litigation). Not one uses the term "inequitable conduct" to describe culpable acts before the United States Patent and Trademark Office.

patentee's first case, it had obtained a validity judgment by suppressing evidence, through bribery, of a prior invalidating use. *Id.* at 243. In later cases, the patentee used the validity result itself of the first case to obtain a preliminary injunction. *Id.* at 246-47. The "corruption of Clutter," the prior art witness in the first case – not any possible misconduct in the Patent Office – drew the Court's scrutiny. *Id.* On the principle that "he who seeks equity must have acted with clean hands," the Court affirmed dismissal of the later suits based on use of misconduct occurring during the first suit. *Id.* at 245-47.

In *Hazel-Atlas*, a patentee had obtained its patent by fabricating a favorable trade journal article, submitted to the Patent Office. 322 U.S. at 250. The patentee faced apparently insurmountable opposition to possible grant of the patent. In response, its attorneys wrote and had published a trade journal article praising the device as a breakthrough. *Id.* at 240. The article falsely listed an ostensibly independent expert author. *Id.* The Patent Office relied on the fabricated article to issue the patent, after the patentee suppressed the fact of its fabrication and the non-independence of its authorship. *Id.* The basis for Supreme Court equity intervention was the manifestation of the fraud *in the circuit court*, because the patentee had induced the circuit court to quote "copiously from the article" *en route* to

holding the patent valid and infringed. *Id.* at 241. One of the patentee’s attorneys in the circuit court had even “played a part in getting the spurious article prepared for publication.” *Id.* at 241.⁶ If the patentee had been truthful *with the circuit court* about the origins of the tainted article, there might have been no basis for equitable intervention. *Id.* (“Truth needs no disguise. The article, even if true, should have stood or fallen under the only title it could honestly have been given -- that of a brief in behalf of Hartford, prepared by Hartford's agents, attorneys, and collaborators.”).⁷

⁶ The Supreme Court characterized it as “a case in which undisputed evidence filed with the Circuit Court of Appeals in a bill of review proceeding reveals such fraud *on that Court* as demands, under settled equitable principles, the interposition of equity to devitalize the 1932 judgment” *Id.* at 247 (emphasis added).

⁷ The Court’s opinion also includes this *dicta* that has been wrongly cited to support “fraud on the Patent Office” as its own defense: “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.” *Id.* at 250. These *dicta* use the label “fraud on the Patent Office” to refer to the patentee’s “corrupt activities in suppressing the truth,” including fabrication of evidence and intimations of bribery, witness tampering and perjury. *See id.* at 241-44 (recounting the scheme). This is far more egregious conduct than mere deception in failing to disclose invalidating information. Meanwhile, the Court re-confirmed that a remedy of vacating a *patent* because of fraud (unlike vacating a *judgment* for fraud on the court) “is not available in infringement proceedings, but can be accomplished in a direct proceeding brought by the government.” *Id.* at 251 (citation omitted).

In *Precision*, the applicant in an interference proceeding submitted false affidavits on inventorship dates, and false claims of inventorship. 324 U.S. at 809-10. The parties to the interference settled after discovering the fraud. *Id.* at 813-14. The settlement resulted in *Precision* owning the fraudulently procured patents. *Id.* The Court denied relief to *Precision* in a later infringement suit because it had failed to report its knowledge of the “fraud or other inequity” to the *Patent Office*. *Id.* at 816, 819. Had the facts been reported, the *Patent Office* might have “pass[ed] upon the sufficiency of the evidence” in order to act in the public interest and safeguard the public against an improper patent monopoly. *Id.* at 818. In the unique facts of that case, the Patent Office was situated to do something about the fraud if it had been reported – allocate proper inventorship according to the statutory mandates of interference proceedings.⁸

The statutory backdrop, combined with the *Keystone – Hazel-Atlas – Precision* trilogy of Supreme Court cases, establishes the outer limits of the pre-existing law of unenforceability (by unclean hands) that Congress

⁸ By comparison today, the Patent Office expressly does not act on suggestions or allegations of fraud or inequitable conduct, but rather on the merits of patentability appearing in the record before it. U.S. Pat. & Trademark Office, U.S. Dep’t of Commerce, Manual of Patent Examining Procedure § 2106 (8th ed., 8th rev. 2008). Therefore today, outside of an interference context, suppression of a prior fraud from the Patent Office cannot, of itself, cause a patent to issue.

arguably codified into Section 282 of the Patent Act of 1952. Commentary on the intent behind the Act never indicates that “unenforceability” was meant to encompass a new or broadened “inequitable conduct” defense, but rather solely indicates “unenforceability” to include “equitable defenses such as laches, estoppel and unclean hands.” *See Symbol Techs. Inc. v. Lemelson Med.*, 277 F.3d 1361, 1366 (Fed. Cir. 2002) (citing favorably P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc’y 161, 215 (1993) and stating “Federico’s commentary is an invaluable insight into the intentions of the drafters of the Act.”).

When courts first started testing the boundaries of the new Act, they kept to an unclean hands framework more consistent with Congressional intent. Specifically, they “set a difficult standard of materiality and required that, but for the misstatements to the Patent Office, the patent would not have issued.” Goldman, 7 Harv.J.L. & Tech. at 54. This but-for analysis itself was too harsh on patentees,⁹ but at least it did look at whether the statements or withholdings would have prevented the patent from issuing. *See, e.g., Marks v. Polaroid Corp.*, 129 F. Supp. 243, 268 (D. Mass. 1955)

⁹ Each case in the Supreme Court trilogy involved but-for materiality as a necessary element within its facts, but none of them treated but-for materiality as sufficient alone to justify equity intervention. In addition to such materiality, each included a component of bribery, corruption, witness tampering, using prior frauds on a court to seek a new fraud on the court, or all of the above.

(factually untrue representation during prosecution was not serious enough to invalidate the patent); *U.S. v. Standard Elec. Time Co.*, 155 F. Supp. 949, 953 (D. Mass. 1957) (failure to cite non-anticipatory reference was not fraud). Absent from the pre-existing law, or even from cases immediately following passage of the 1952 Act, is any notion of today's inequitable conduct defense. Rather, only showings of egregious fraud foreclosed enforceability. The common thread was either the willful fabrication of evidence, or the suppression of the fact of a prior fraud from the Patent Office or the Courts. Such evidence, by itself, caused an application to issue by its fabrication (*Hazel-Atlas*), or saved an application from certain doom by its suppression (*Keystone, Precision*).

There is more. Of the two Supreme Court unenforceability cases that turn on non-disclosure (*Keystone, Precision*), each of those turned on non-disclosure of *a prior fraud itself* to a tribunal in a position to act on the fact of the prior fraud. In *Keystone*, the pertinent prior fraud was of the suppression of evidence through bribery in the first case, which should have been disclosed to the court presiding over the second case. In *Precision*, the pertinent prior fraud was the affidavit-submission of false inventorship dates and claims during an interference proceeding. In both cases, the Court did not apply unclean hands because of mere nondisclosure of background data

relating to patentability, but nondisclosure of actual prior frauds in a context where a tribunal might have acted on the disclosure.

The following conclusions follow about 1952 Congressional enactments and intent concerning what defenses are permitted in a patent case:

- Today's formulation of "inequitable conduct" was not part of the pre-existing law codified in the statute, either in words or in concept;
- At most, the stricter defense of "fraud on the Patent Office" within a larger scheme of a "fraud on the court" is within the scope of the codified defense of unenforceability; and
- More precisely, fabrication of evidence (*Hazel-Atlas*) or suppression of a prior fraud from a tribunal otherwise empowered to act on disclosure of the prior fraud (*Keystone Driller, Precision*) is within the scope of the codified defense of unenforceability.

Congress could have, but did not, enact in 1952 an inequitable conduct defense as it exists today. *See Meghrig v. KFC Western, Inc.*, 516 U.S. 479, 485 (1996) ("Congress . . . demonstrated in CERCLA that it knew how to provide for the recovery of cleanup costs, and . . . the language used to

define the remedies under RCRA does not provide that remedy”). Under the reasoning in *Aristocrat* and well-established canons of statutory construction, the absence of such an enactment justifies termination of this long and misguided judicial experiment.

B. SECTIONS 253 AND 288 DO NOT CREATE A DEFENSE

Sections 253 and 288 of the Patent Act mention “deceptive intention” in their text. One might argue that these sections meet the *Aristocrat* test for creating a defense. But these do not create any litigation defense, much less one for “inequitable conduct.”

Section 253 merely refers to procedures in the Patent Office for effecting a disclaimer of a patent claim, and states:

Disclaimer.

Whenever, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid. A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent. Such disclaimer shall be in writing and recorded in the Patent and Trademark Office, and it shall thereafter be considered as part of the original patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

In like manner any patentee or applicant may disclaim or dedicate to the public the entire term, or any terminal part of the term, of the patent granted or to be granted.

35 U.S.C. § 253 (1975). As a rule directed to Patent Office conduct, Section 253 is like the Patent Office procedure statutes discussed in *Aristocrat* which did not create any recognized defense.

A different analysis leads to the same outcome for Section 288. Section 288 merely refers to actions for infringement that “may be maintained,” without saying what actions for infringement may *not* be maintained. It states:

Action for infringement of a patent containing an invalid claim.

Whenever, without deceptive intention, a claim of a patent is invalid, an action may be maintained for the infringement of a claim of the patent which may be valid. The patentee shall recover no costs unless a disclaimer of the invalid claim has been entered at the Patent and Trademark Office before the commencement of the suit.

35 U.S.C. § 288 (1975). This Section at most refers to what happens in situations “without deceptive intention.” Quite simply, it leaves unstated what happens in situations that do involve deceptive intention. Section 288 falls short of what *Aristocrat* teaches are the qualities that permit incorporation into Section 282 via the catch-all paragraph 4: clear mandatory enactment language making a fact or act a defense. *See Aristocrat*, 543 F.3d at 662-63 (discussing Sections 185, 272 and 273, each of which contains statutory language stating facts or acts that “shall not constitute infringement,” that “shall be a defense,” or that mean a patent “shall be

invalid.”); *but see id.* at 664 (harmonizing *Quantum v. Rodime, PLC*, 65 F.3d 1577, 1584 (Fed. Cir. 1985), noting that Section 305 states a defense because it “mirrors” the statutory framework under Section 251 made a defense in the third paragraph of Section 282).

Congress passed Section 288 in 1952 to eliminate prior statutory provisions that created a duty to disclaim invalid claims as a precondition for bringing an action on remaining valid claims.¹⁰ Thus Congress intended to overrule the old law in order to make it easier for patentees to bring suit.

¹⁰ The pertinent legislative history as reported by the Senate is:

This subject of disclaimers, in the present law, has resulted in a great deal of confusion and uncertainty in certain situations in the law which at times are almost ridiculous. Consequently, the bill in two sections, 253 and 288, has introduced certain changes relating to disclaimers. . . .

. . . There is now a provision in the statute under which an invalid claim must be disclaimed without unreasonable delay in order to save the rest of the patent. What delay is unreasonable is presently quite confusing, and the present law does not, as a matter of fact, prevent the patentee from suing again on the invalid claim if he so wishes.

The bill has eliminated that requirement.

* * *

Section 288 is the companion section to the disclaimer section, 253.

S. Rep. No. 82-1979, at 7–9 (1952).

The “deceptive intention” language carried over from the prior statute.

In redrafting the language to make it easier for patentees to bring suit, and specifying a light penalty for noncompliance (*i.e.*, no costs), Congress did not inject a litigation defense focused on applicant honesty in procuring a patent. To hold otherwise would be to conclude that Congress enacted a defense using the roundabout linguistic path of vague wording,¹¹ stacked atop a negative pregnant, stacked atop incorporation by reference through a catch-all paragraph of Section 282. Congress does not act *sub silentio* in this manner, as it knows how to denominate something a “defense” when it means to. *Compare Aristocrat*, 543 F.3d at 662-63 (noting Congressional use of mandatory language “shall”). Congress “does not . . . hide elephants in mouseholes.” *Whitman v. American Trucking Ass’ns, Inc.*, 531 U.S. 457, 468 (2001); see also *Director of Revenue of Mo. v. CoBank, ACB*, 531 U.S. 316, 323 (2001) (“it would be surprising, indeed,” if Congress had effected a “radical” change in the law “*sub silentio*” via “technical and conforming amendments”).

¹¹ Grammatically, “without deceptive intention” modifies “claim.” The reader can only guess how a “claim” might act dishonestly. The term “invalid” comes into the phrase as the subjective complement of “claim” via the linking verb “is.” As a threshold, this language does not clearly set forth an “act” or “fact” under the fourth catch-all paragraph of Section 282, much less go the extra step of making such “act” or “fact” a defense.

Even more compelling, the trigger language of Section 288 (“whenever . . . a claim . . . is invalid”) does not apply until a court holding of invalidity of a specific patent claim has already occurred in a prior case. *Bradford Co. v. Jefferson Smurfit Corp.*, 2001 U.S. App. LEXIS 25205, at *19-*21 (Fed. Cir. 2001) (unpublished) (holding that for Section 288 to apply, “there must have been a prior determination of invalidity before the patent-infringement suit for which costs are now sought,” and finding the contrary argument “borders on the ridiculous.”); *see also Cordance Corp. v. Amazon.com, Inc.*, 631 F. Supp. 2d 484, 501-03 (D. Del. 2009) (finding *Bradford* persuasive and applying its holding). Thus Section 288 will never apply the first time a patent is litigated. It would make no sense to find Congressional intent to fashion a defense that only applies, at the earliest, the *second* time a patent is litigated.

In sum, Sections 253 and 288 serve roles in the statutory framework distinct from defense creation. Neither states with sufficient clarity or force that its words amount to a litigation defense. They offer nothing that might be incorporated into Section 282 via the fourth catch-all paragraph.

C. HIGH COSTS OF THE DEFENSE RETURN NO BENEFITS

Atop the fact that the defense finds no statutory support (as it must to exist), the defense offers little to nothing to the patent system.¹² No substantial benefits accrue from the existence of the inequitable conduct defense. The defense exists to punish those who fail to uphold their duty of candor to the United States Patent and Trademark Office. But commentators note that internal Patent Office procedures already reach unethical conduct by attorneys and agents who practice before it, and that the existence of the defense simply incentivizes nervous solicitors to overdisclose information during prosecution.¹³

Ostensibly meritorious inequitable conduct defenses do not really benefit the patent system. Of those patentees whose acts merit punishment under the existing framework, a percentage own patents that would not have survived a validity challenge over the nondisclosed art or information anyway. It follows logically that the patent system gains no marginal benefit

¹² The defense's lack of value is apparently recognized around the globe. "[U]nlike other patent law standards, such as novelty and infringement, best mode and inequitable conduct have no counterparts in the major patent systems of Europe, Japan and elsewhere." See Donald S. Chisum, *Best Mode Concealment and Inequitable Conduct in Patent Procurement: A Nutshell, A Review of Recent Federal Circuit Cases and a Plea for Modest Reform*, 13 SANTA CLARA COMPUTER & HIGH TECH L.J. 277, 279 (1997).

¹³ See, e.g., Brief of *Amicus Curiae* American Bar Association (filed June 17, 2010), at 10-11, 17.

when patentees who would lose their case on invalidity, instead lose it on inequitable conduct. The remaining patentees own patents that would survive a validity challenge over the nondisclosed art or information. *Ex post*, those remaining situations involve lower materiality scenarios (*i.e.*, not anticipation or obviousness), and hence lesser culpability. In effect, the only *marginal* punishments are meted out to those who can show the Patent Office did *not* rely on the misconduct to cause a patent to issue. The net *marginal* effect of the defense is only to eliminate cases by patentees whose culpable acts did not cause an undeserved extension of any patent monopoly.

This means that inequitable conduct is a defense that is at cross purposes with itself and with the patent system. Where it fits the facts the best, it is superfluous. Where it fits the facts the least (but still applies), it punishes behaviors that do not harm the public interest.

Of course, not all successful assertions at the trial court level are meritorious. This Court commonly reverses inequitable conduct rulings. Even those cases with reversals, though, exact an unnecessary toll.

First, the right of appeal only mitigates some of the harm. Assuming this Court ultimately reverses every nonmeritorious case that succeeded at the district court level, the affected parties must still live with the personal and reputational consequences while the appeal is pending. For example,

the record in this *en banc* case reflects that the affected prosecution attorney had to submit to bar association discipline (Declaration of Lawrence S. Pope at § 7, *Therasense, Inc. v Becton, Dickinson & Co.*, Nos. 2008-1511, -1512, -1513, -1514, -1595 (Fed. Cir. Jan. 25, 2010)) – even while the underlying appeal is still, to this day, pending. When a district court has endorsed ugly accusations of fraud and deception, negative personal consequences ensue before this Court has a chance to rule.

The patent system itself suffers while this Court considers a meritorious appeal. Settlement leverage shifts in the direction of infringers after an inequitable conduct ruling, no matter how frail. The threat of an adverse attorney fee award under 35 U.S.C. § 285, and sometimes its actuality, forces patentees to drop their cases. Likewise, a patent is a wasting asset. Any delay whatsoever *en route* to a judgment of infringement is its own harm to the patentee, and the overall system. In the circumstances, the very existence of nonmeritorious inequitable conduct defenses that succeed below encroaches on the careful legislative balance that Congress crafted between the rights of patentees and accused infringers.

Even when patentees win at the district court level, costs accrue because of the very existence of the defense. Harm to the patentee includes the high costs involved with an inequitable conduct hearing and possible

appeal. The costs can make enforcement prohibitively expensive, or unjustly tip the negotiating positions of the parties. Harm to the court system includes wasted judicial effort. As things presently stand, even when a patentee wins at the trial court level or on appeal, patent validity remains to be determined.

V. CONCLUSION

The judge-made inequitable conduct defense lacks any statutory foundation, which under *Aristocrat* means that it should not exist. Nonmeritorious assertions of the defense exact a social cost without any social gains. Even meritorious assertions are either superfluous, or punish conduct that does not harm the public interest in safeguarding against improper patent monopolies. *Amici Curiae* Acacia Research Corporation and 1st Media, LLC urge the *en banc* court to confirm the lack of statutory support for the defense, in favor of retaining the unenforceability defense of unclean hands, as understood within the *Keystone – Hazel-Atlas – Precision* trilogy.

Dated: July 30, 2010



Robert P. Greenspoon
FLACHSBART & GREENSPOON, LLC
333 North Michigan Avenue, 27th Floor

Chicago, Illinois 60601
(312) 551-9500

ATTORNEY FOR *AMICI CURIAE* ACACIA
RESEARCH CORPORATION AND 1ST MEDIA,
LLC

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the original and 30 true and correct copies of the **BRIEF FOR AMICI CURIAE ACACIA RESEARCH CORPORATION AND 1ST MEDIA, LLC**, were filed with the United States Court of Appeals for the Federal Circuit via overnight delivery, and that 2 true and correct copies of the same were served upon the below-listed counsel for the parties by overnight delivery on this 30th day of July, 2010:

Rohit Kumar Singla
Munger, Tolles & Olson, LLP
560 Mission Street, 27th FL
San Francisco, CA 94105
Tel: 415-512-4000
Fax: 415-512-4077
PRINCIPAL ATTORNEY FOR PLAINTIFFS-APPELLANTS

Bradford J. Badke
Ropes & Gray, LLP
1211 Avenue of the Americas
New York, NY 10036
Tel: 212-596-9031
Fax: 646-728-1793
PRINCIPAL ATTORNEY FOR BECTON, DICKINSON AND
COMPANY AND NOVA BIOMEDICAL CORPORATION,
DEFENDANTS APPELLEES

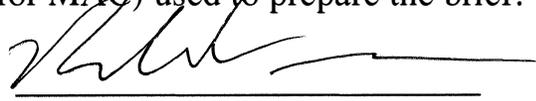
Rachel Krevans
Morrison & Foerster, LLP
425 Market Street
San Francisco, CA 94105
Tel: 415-268-7178
Tax: 415-276-7522
PRINCIPAL ATTORNEY FOR BAYER HEALTHCARE, LLC,
DEFENDANT-APPELLEE



Robert P. Greenspoon

CERTIFICATE OF COMPLIANCE

I, Robert P. Greenspoon, counsel for *Amici Curiae* Acacia Research Corporation and 1st Media, LLC hereby certify that the foregoing brief complies with the type volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B). Specifically, the pertinent portion of the brief contains 5,350 words as calculated by the word count of the word processing system (MICROSOFT WORD 2008 for MAG) used to prepare the brief.



Robert P. Greenspoon
Flachsbart & Greenspoon, LLC
333 N. Michigan Ave., 27th Floor
Chicago, IL 60601
Tel: 312-551-9500
Fax: 312-551-9501
Counsel for *Amici Curiae*