

2006

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Recommended Citation

James Cronin, *Inequitable Conduct and the Standard of Materiality: Why the Federal Circuit Should Use the Reasonable Patent Examiner Standard*, 50 St. Louis U. L.J. (2006).

Available at: <https://scholarship.law.slu.edu/lj/vol50/iss4/20>

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**INEQUITABLE CONDUCT AND THE STANDARD OF
MATERIALITY: WHY THE FEDERAL CIRCUIT SHOULD USE THE
REASONABLE PATENT EXAMINER STANDARD**

I. INTRODUCTION

Alleged patent infringers frequently assert the defense of inequitable conduct in patent infringement suits.¹ Under this defense the alleged infringing party must prove the patent holder intentionally misrepresented, withheld, or falsified material references while prosecuting its patent before the Patent and Trademark Office (PTO).² There is much dispute over what standard courts should use to determine whether a reference is material.³ This topic is important because there are serious consequences if a court determines a patent applicant intentionally misrepresented, withheld, or falsified material information. One consequence of a court finding that inequitable conduct occurred in procuring a patent is a ruling that the patent in question is unenforceable and any other patents connected to it are also unenforceable.⁴

There are many different tests courts have used to determine what references are material. Before 1977, courts used a “but for” standard to determine whether a reference was material.⁵ In 1977, the PTO adopted a “reasonable patent examiner” subjective standard to determine whether a reference was material in its rule entitled “Duty to Disclose Information

1. Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L. & TECH. 37, 85–86 (1993).

2. *Dayco Products, Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1362 (Fed. Cir. 2003) (citing *Purdue Pharma L.P. v. Boehringer Ingelheim GMBH*, 237 F.3d 1359, 1366 (Fed. Cir. 2001)).

3. *Dayco Products*, 329 F.3d at 1364.

The court has not decided whether it should adhere to the preexisting standard for inequitable conduct in prosecutions occurring after the effective date of the new rule.

Thus, we have not decided whether the standard for materiality in inequitable conduct cases is governed by equitable principles or by the Patent Office’s rules.

Id. (citations and footnote omitted); Scott D. Anderson, *Inequitable Conduct: Persistent Problems and Recommended Resolutions*, 82 MARQ. L. REV. 845, 854–57 (1999); Goldman, *supra* note 1, at 72–75.

4. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995) (holding one patent unenforceable for inequitable conduct and a second patent, which issued as a divisional from the first patent, unenforceable for relying on the first patent).

5. 6 DONALD S. CHISUM, CHISUM ON PATENTS § 19.03[3], at 19-218 (Matthew Bender & Co. 2004). If a patent would not have issued “but for” the patent holder’s omission of the reference, then that reference is material. *Id.*; see discussion *infra* Parts III.A–C.

Material to Patentability” (commonly referred to as Rule 56).⁶ In 1992, the PTO amended Rule 56, adopting an objective standard focusing on prima facie patentability.⁷

In deciding which test for materiality best serves the purposes of the inequitable conduct defense, there are some perceived dangers which must be addressed. If the definition for materiality includes too much information, then it will encourage alleged infringers to assert the defense in every case, creating inefficiencies in the court system and increased legal fees.⁸ If the definition for materiality does not include enough information, then it will not effectively punish dishonest applicants or encourage applicants to disclose all information the PTO needs to assess patentability.⁹

From Congress’s creation of the Federal Circuit in 1982 until 2005, the court used the old Rule 56 “reasonable patent examiner” standard to determine materiality.¹⁰ In 2005, the Federal Circuit decided that for applications pending on or filed after March 16, 1992, it would use the new Rule 56 objective standard to determine materiality.¹¹ Because the Federal Circuit has exclusive jurisdiction over patent cases and the Supreme Court has not changed the Federal Circuit’s interpretation of inequitable conduct, the Federal Circuit’s decisions on inequitable conduct state the current law.¹²

While all of the tests courts have used to determine materiality have some shortcomings, this Comment argues that the Federal Circuit and the PTO should adopt the old Rule 56 “reasonable patent examiner” standard to determine whether a reference is material. This test best furthers the main purpose of the doctrine of inequitable conduct, which is to punish applicants who intentionally misrepresent, withhold, or falsify information during the application process. The old Rule 56 subjective test for determining materiality best serves the punishment purpose because it is expansive enough to give the doctrine of inequitable conduct some teeth, and it allows the court to make an equitable determination based on all the facts to decide whether

6. 37 C.F.R. § 1.56(a) (1977) (providing that “information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent”); see discussion *infra* Part III.D.

7. 37 C.F.R. § 1.56(b) (2004) (providing that “information is material to patentability when . . . (1) It establishes . . . 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”); see discussion *infra* Part III.E.

8. See Anderson, *supra* note 3, at 846–47; Jerome G. Lee, *Evolution and Future of New Rule 56 and the Duty of Candor*, 20 AIPLA Q.J. 131, 132 (1992).

9. See Anderson, *supra* note 3, at 867–68.

10. See Goldman, *supra* note 1, at 72–73.

11. Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd., 394 F.3d 1348, 1352 (Fed. Cir. 2005); Purdue Pharma L.P. v. Endo Pharms. Inc., 410 F.3d 690, 696 (Fed. Cir. 2005).

12. See Goldman, *supra* note 1, at 67–68.

information is material. Three of the other tests used for inequitable conduct have narrower definitions of materiality and give the court less leeway to find inequitable conduct based on the facts. The last test has a broader definition of materiality, but it is too speculative and would create a burden on the court system.

Part II of this Comment explains general concepts of the defense of inequitable conduct in patent infringement proceedings. Part III explains how the five tests courts have used to determine materiality operate. Part IV explores the general policies of inequitable conduct the standard of materiality should serve. Finally, Part V gives reasons why courts should use the old Rule 56 “reasonable patent examiner” standard.

II. INEQUITABLE CONDUCT IN GENERAL

In order to obtain a patent, an inventor must comply with the statutory requirements of the United States Code on Patents. To obtain a patent on an invention, the statutes require all inventors of the invention to file or authorize the filing of the patent application,¹³ and the invention must be of patentable subject matter,¹⁴ novel,¹⁵ non-obvious,¹⁶ and useful.¹⁷ The patent application

13. “A person shall be entitled to a patent unless . . . he did not himself invent the subject matter sought to be patented . . .” 35 U.S.C. § 102(f) (2000). “An application for patent shall be made, or authorized to be made, by the inventor . . .” *Id.* § 111(a). “The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent . . .” *Id.* § 115. “When an invention is made by two or more persons jointly, they shall apply for patent jointly and each make the required oath . . .” *Id.* § 116.

14. “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” *Id.* § 101.

15. *Id.* § 102.

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or . . .

. . . .

(e) the invention was described in—

(1) an application for patent, published . . . by another filed in the United States before the invention by the applicant for patent or

(2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent . . . or

. . . .

(g) . . . (2) before such person’s invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it.

Id. (footnote omitted).

16. *Id.* § 103(a).

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject

must also meet the specification requirements. The application must contain a specification with a written description of the invention, enabling one skilled in the art to practice the invention, and setting forth the best mode contemplated by the inventor of practicing the invention.¹⁸ The specification must end with claims sufficiently definite to point out and distinctly identify the subject matter of the invention.¹⁹ An inventor may lose the right to patent if: (1) the invention was patented or described in a printed publication in the United States or a foreign country more than one year prior to the United States patent application,²⁰ (2) the invention was in public use, or on sale in the United States more than one year prior to the United States patent application,²¹ (3) the inventor abandoned the invention,²² or (4) the inventor patented the invention in a foreign country before the date of the United States patent application and the foreign patent application was filed more than one year before the United States application.²³

Even if an inventor follows all of these statutory requirements and obtains a valid patent on an invention, the doctrine of inequitable conduct can render the patent unenforceable.²⁴ If a patentee asserts his statutory right to exclude

matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

Id.

17. “Whoever invents or discovers any new and *useful* process, [etc.] . . .” *Id.* § 101 (emphasis added).

18. 35 U.S.C. § 112.

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains . . . to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Id.

19. “The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.” *Id.* § 112.

20. “A person shall be entitled to a patent unless . . . the invention was patented or described in a printed publication in this or a foreign country . . . more than one year prior to the date of the application for patent in the United States . . .” *Id.* § 102(b).

21. “A person shall be entitled to a patent unless . . . the invention was . . . in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . .” *Id.* § 102(b)

22. “A person shall be entitled to a patent unless . . . he has abandoned the invention . . .” *Id.* § 102(c).

23. 35 U.S.C. § 102(d).

A person shall be entitled to a patent unless . . . the invention was first patented or caused to be patented . . . by the applicant . . . in a foreign country prior to the date of the application for patent in this country on an application for patent . . . filed more than twelve months before the filing of the application in the United States . . .

Id.

24. *See* *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1182 (Fed. Cir. 1995).

by bringing a suit for infringement against an alleged infringer, the alleged infringer may plead the statutory defense of unenforceability.²⁵ Inequitable conduct falls within this statutory defense.²⁶ If the court finds the patentee engaged in inequitable conduct in the procurement of the patent by intentionally misrepresenting, withholding, or falsifying material references, the court will order the patent unenforceable.²⁷

Molins PLC v. Textron, Inc. is a typical case where an alleged infringer asserted the defense of inequitable conduct in an infringement action and the court held patents unenforceable due to inequitable conduct.²⁸ Molins, the patentee, developed a fully automated machining system that allowed simultaneous machining of related families of parts.²⁹ Molins filed a U.S. patent on the system in 1966.³⁰ The in-house patent agent for Molins responsible for prosecuting the patents in suit knew of several published articles that disclosed an automatic manufacturing system similar to Molins's invention, but failed to disclose the articles to the PTO during prosecution of the patent.³¹ The court held Molins engaged in inequitable conduct because it intentionally failed to disclose material information to the PTO during patent prosecution.³² The court found the articles were material to patentability because a reasonable patent examiner would have considered them important in deciding the patentability of the claims in the patent application.³³ The court reasoned that the articles were material for three reasons: (1) they disclosed relevant features of the claimed invention that were not found anywhere else in the prior art, (2) Molins disclosed the articles in foreign patent applications where foreign patent examiners found they were pertinent prior art, and (3) Molins amended its foreign claims based on the articles.³⁴ Molins disclosed the articles to the PTO seventeen years after learning of them, and in a reexamination proceeding, the PTO found that Molins's issued patent was valid in light of the articles.³⁵ Thus, even though Molins's patent would have been valid if it had disclosed the articles when first discovered, the court held Molins's patent unenforceable because it engaged in inequitable conduct by intentionally withholding the articles for seventeen years.³⁶

25. "The following shall be defenses in any action involving the validity or infringement of a patent . . . unenforceability . . ." 35 U.S.C. § 282(1).

26. *E.g.*, *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1560 (Fed. Cir. 1984).

27. *E.g.*, *Molins*, 48 F.3d at 1182.

28. *Id.* at 1172.

29. *Id.* at 1176.

30. *Id.*

31. *Id.* at 1176–77.

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

33. *Id.* at 1180.

34. *Id.*

35. *Id.* at 1177, 1179.

36. *Id.* at 1182.

Molins illustrates how a court may hold a patent unenforceable that otherwise meets all the statutory requirements of patentability. Inequitable conduct can make an otherwise valid patent unenforceable.

The current statutory basis for the defense of inequitable conduct arose from several acts of Congress beginning with the Patent Act of 1790, which allowed a private cause of action filed within one year of issuance to repeal a patent “obtained surreptitiously . . . or upon false suggestion.”³⁷ Since the Patent Act of 1790, Congress has broadened and evolved the inequitable conduct defense. The Patent Act of 1793 extended the period of filing to three years.³⁸ The Patent Act of 1836 created a defense to infringement for an improperly obtained patent.³⁹ The Consolidated Patent Act of 1870 made the defense available against an issued patent procured by a deceptive application.⁴⁰ The current statute taken from the Patent Act of 1952 gives an alleged infringer a defense to infringement for “unenforceability.”⁴¹ The Federal Circuit holds inequitable conduct to fall within the defense of unenforceability.⁴² Even though Congress created a statutory defense for improperly obtained patents, courts were reluctant to recognize it until 1945, when the Supreme Court recognized that the public suffered injury through the fraudulent procurement of patents.⁴³ Before 1945 courts were reluctant to allow a third party to raise as a defense to infringement that the patentee fraudulently procured the patent, because of the common law fraud requirement that there be injury to the party alleging fraud.⁴⁴ Previously, the

37. Patent Act of 1790, ch. 7, § 5, 1 Stat. 109, 111; Goldman, *supra* note 1, at 39–40.

38. Patent Act of 1793, ch. 11, § 10, 1 Stat. 318, 323; Goldman, *supra* note 1, at 39–40.

39. Patent Act of 1836, ch. 357, § 15, 5 Stat. 117, 123; Goldman, *supra* note 1, at 40–42.

40. Consolidated Patent Act of 1870, ch. 230, § 61, 16 Stat. 198, 208; Goldman, *supra* note 1, at 42–45.

41. 35 U.S.C. § 282 (2000); Goldman, *supra* note 1, at 52. “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*” 35 U.S.C. § 282 (emphasis added).

42. *E.g.*, *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1560 (Fed Cir. 1984).

43. For a more thorough discussion of this topic, see Goldman, *supra* note 1, at 38–39, 50–51, from which much of the material for this paragraph was derived.

The possession and assertion of patent rights are “issues of great moment to the public.” . . . A patent by its very nature is affected with a public interest. . . . 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.

Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 815–16 (1945) (internal citations omitted). “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 inequitable conduct underlying the applications in issue.” *Id.* at 818.

44. Goldman, *supra* note 1, at 38–39.

view was that in a patent case any misrepresentations were made to the government and thus a private party did not have a right to raise the defense because it had not suffered an injury.⁴⁵ It was in the Supreme Court's decision in *Precision Instrument* that the Court recognized fraud in obtaining a patent not only injured the government, but also the public at large.⁴⁶

While Congress created a statutory base for inequitable conduct, the doctrine is a product of common law and legislation.⁴⁷ The Rules and Regulations of the Department of Commerce, promulgated by the PTO, contain Rule 56, a rule which imposes upon applicants a "Duty to Disclose Information Material to Patentability."⁴⁸ For applications pending before March 16, 1992, the Federal Circuit uses Rule 56 adopted in 1977, but for applications pending on or filed after March 16, 1992, the Federal Circuit uses Rule 56 adopted in 1992.⁴⁹

The defense of inequitable conduct is based on the equity principle that "he who comes into equity must come with clean hands."⁵⁰ Inequitable conduct is a defense to patent infringement arising when a patent applicant intentionally misrepresents a material fact, fails to disclose material information, or submits false material information.⁵¹ To prove inequitable conduct the alleged infringing party must show by clear and convincing evidence that the applicant misrepresented, withheld, or falsified material information during the prosecution of the patent and that the applicant intended its deceptive conduct.⁵² Courts perform the inequitable conduct analysis in two steps.⁵³ First, the court determines whether the information misrepresented, withheld, or falsified meets threshold levels of both (1) materiality and (2) intent to

45. *Id.*

46. *Id.*; *Precision Instrument*, 324 U.S. at 815–16.

47. Anderson, *supra* note 3, at 854. Anderson's article provided much of the information for this section of the Comment.

48. *Id.*; see 37 C.F.R. § 1.56 (2004). The PTO has the power to promulgate rules of this nature under 35 U.S.C. § 2 (2000). "The Office . . . may establish regulations, not inconsistent with law, which . . . shall be made in accordance with section 553 of title 5 . . ." 35 U.S.C. § 2(b)(2).

49. *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs. Ltd.*, 394 F.3d 1348, 1352 (Fed. Cir. 2005); *Purdue Pharma L.P. v. Endo Pharms. Inc.*, 410 F.3d 690, 696 (Fed. Cir. 2005).

50. *Precision Instrument*, 324 U.S. at 814; Anderson, *supra* note 3, at 850. "[T]he doors of a court of equity [are closed] to one tainted with inequity or bad faith relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant." *Precision Instrument*, 324 U.S. at 814. "[W]hile 'equity does not demand that its suitors shall have led blameless lives,' as to other matters, it does require that they shall have acted fairly and without fraud or deceit as to the controversy in issue." *Id.* at 814–15 (internal citations omitted).

51. Anderson, *supra* note 3, at 852; *Dayco Products, Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1362 (Fed. Cir. 2003).

52. *E.g.*, *Dayco Products*, 329 F.3d at 1362–63.

53. *Id.*

deceive.⁵⁴ Second, the court weighs the materiality and intent to determine whether the applicant's conduct was so culpable as to render the patent invalid.⁵⁵ "Materiality and intent are . . . factual issues, but the ultimate determination of inequitable conduct is an equitable issue committed to the discretion of the trial court."⁵⁶

There is a minimum level of proof that an alleged infringer must offer in order to establish a prima facie showing of inequitable conduct.⁵⁷ An alleged infringer who asserts the defense of inequitable conduct for failure to disclose "must offer clear and convincing proof of: (1) prior art or information that is material; (2) knowledge chargeable to applicant of that prior art or information and of its materiality; and (3) failure of the applicant to disclose the art or information resulting from an intent to mislead the PTO."⁵⁸

After the alleged infringer gives this offer of proof, the applicant has five primary ways to rebut the charge.⁵⁹

[Inequitable conduct] 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 know of that art or information, a showing that applicant did not know of its materiality; [or] (d) [applicant's nondisclosure did not intend] to mislead the PTO.⁶⁰

54. *Id.*

55. *E.g., id.* There may be a lesser showing of materiality where high levels of intent to deceive are present. *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1439 (Fed. Cir. 1991). "The more material the omission, the less culpable the intent required, and vice versa." *Id.*

56. *Anderson, supra* note 3, at 853–54 (citing *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1256 (Fed. Cir. 1997) and *Halliburton*, 925 F.2d at 1439–40).

57. *Anderson, supra* note 3, at 853; *see FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987).

58. *FMC Corp.*, 835 F.3d at 1415 (footnote omitted); *Anderson, supra* note 3, at 853 n.60. The requisite element of intent has undergone change over the years. Until 1988 the Federal Circuit used a gross negligence standard from which the court could infer the required intent to deceive. *See Lynn C. Tyler, Kingsdown Fifteen Years Later: What Does It Take to Prove Inequitable Conduct?*, 13 FED. CIR. B.J. 267, 272–73 (2003). In 1988, the Federal Circuit held that gross negligence was not enough to infer intent to deceive and that for a finding of intent to deceive, there must be "sufficient culpability" when viewing all the evidence of the involved persons. *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 876 (Fed. Cir. 1988) (en banc). In doing so the court rejected prior panel holdings that the court could infer intent to deceive when an attorney knew a reference was material and did not disclose it to the PTO during prosecution. *Tyler, supra*, at 268.

59. *Anderson, supra* note 3, at 853.

60. *FMC Corp.*, 835 F.2d at 1415; *see Anderson, supra* note 3, at 853.

Good faith on the part of the applicant is an additional factor which may rebut a prima facie case of inequitable conduct.⁶¹

During prosecution of a patent the applicant submits information to the PTO. The applicant has a duty of candor and good faith to not withhold or misrepresent information material to patentability when submitting information to the PTO.⁶² Examples of types of information an applicant must submit to the PTO in order to meet the duty of candor and good faith include: (1) prior art references not known to the examiner,⁶³ (2) conduct relevant to statutory bars,⁶⁴ (3) experimental data,⁶⁵ (4) date of invention affidavit,⁶⁶ and (5) foreign

61. Anderson, *supra* note 3, at 853; *see* Baxter Int'l, Inc. v. McGaw, Inc., 149 F.3d 1321, 1330 (Fed. Cir. 1998) (“[E]vidence of good faith must be considered in determining whether inequitable conduct has been shown by clear and convincing evidence. However, good faith is only one factor to be considered along with the totality of the evidence.” (citation omitted)).

62. 37 C.F.R. § 1.56(a) (1977); Anderson, *supra* note 3, at 855–56.

63. Anderson, *supra* note 3, at 856; *see, e.g.*, Molins PLC v. Textron, Inc., 48 F.3d 1172, 1184–85 (Fed. Cir. 1995) (applicant withheld articles describing a machine similar to the claims of the invention).

Under 35 U.S.C. § 102(a) an application for patent may not issue if the invention was already known of before the date of invention by the applicant. “[T]he invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent . . .” 35 U.S.C. § 102(a) (2000).

Prior art references are also important in determining whether the invention was not obvious at the time of invention.

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

Id. § 103(a). However, the applicant cannot commit inequitable conduct by failing to cite prior art that he has no knowledge of, or which he believes is less relevant than other art already cited to the PTO. CHISUM, *supra* note 5, § 19.03[2][b][ii], at 19-184.

64. Anderson, *supra* note 3, at 856; *see, e.g.*, Paragon Podiatry Lab., Inc. v. KLM Labs., Inc., 984 F.2d 1182, 1193 (Fed. Cir. 1993) (applicant withheld information from the PTO regarding its prior sale of the invention claimed); LaBounty Mfg., Inc. v. United States Int'l Trade Comm'n, 958 F.2d 1066, 1074 (Fed. Cir. 1992) (holding patent invalid where applicant withheld evidence regarding public use and sale of the invention more than one year prior to when the application was filed).

Under 35 U.S.C. § 102(b) an application for patent may not issue if it was not filed within one year of the invention's patenting, description, public use, or sale in the United States or a foreign country. “[T]he invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . .” *Id.*

Under 35 U.S.C. § 102(d) an application for patent may not issue if the applicant patented it in a foreign country based upon an application filed more than one year before the date of application in the United States.

[T]he invention was first patented or caused to be patented . . . by the applicant . . . in a foreign country prior to the date of the application for patent in this country on an

patent office search reports on a companion application.⁶⁷ The Manual of Patent Examining Procedure⁶⁸ identifies three other sources of information that are material and which an applicant must disclose: (1) information relating to

application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States

Id. § 102(d).

65. Anderson, *supra* note 3, at 856; *see* Rohm & Haas Co. v. Crystal Chem. Co., 722 F.2d 1556, 1570–71 (Fed. Cir. 1983) (applicant submitted falsified affidavits under 37 C.F.R. § 1.132 (“Rule 132”) to the PTO regarding experimental data relevant to its claimed invention). If an examiner rejects a patent applicant's claim on the ground that it closely resembles products or processes in the prior art, the applicant may rebut this prima facie case of obviousness by filing an affidavit under Rule 132. Using Rule 132 an applicant may present test evidence that shows how its invention is substantially different from the prior art. Similarly, an applicant may present technical data and experimental evidence in the specification of its patent application. In both situations there is a great need to prevent fraudulent conduct, because the PTO has no way of verifying the tests through its own independent procedures.

66. Anderson, *supra* note 3, at 856; *see* Timely Prod. Corp. v. Arron, 523 F.2d 288, 298 (2d Cir. 1975) (applicant filed an affidavit under 37 C.F.R. § 1.131 (“Rule 131”) which misled the patent examiner into granting the applicant an earlier date of invention than the applicant was entitled to). A date of invention affidavit is filed when an applicant is faced with a rejection based on prior art shown to exist before his date of application. The applicant may file this affidavit in order to show that he invented the subject matter sought to be patented before the prior art was invented, patented, or published. This affidavit is filed under Rule 131, which states:

When any claim of an application . . . is rejected, the inventor of the subject matter of the rejected claim . . . may submit an appropriate oath or declaration to establish invention of the subject matter of the rejected claim prior to the effective date of the reference or activity on which the rejection is based.

37 C.F.R. § 1.131 (2005). Because the PTO normally relies upon affidavits submitted under Rule 131 as sufficient on their face, the doctrine of inequitable conduct and the penalties resulting from it are necessary to ensure full, truthful disclosure by an applicant. *See generally* CHISUM, *supra* note 5, § 19.03[2][c], at 19-208.

67. Anderson, *supra* note 3, at 856; *see* Heidelberger Druckmaschinen AG v. Hantscho Commercial Prod., Inc., 21 F.3d 1068, 1072–73 (Fed. Cir. 1994) (applicant found not to have engaged in inequitable conduct where it withheld from the PTO the basis for the rejection of an identical European patent because it did so accidentally and without the requisite intent to deceive). However, the court must exercise caution when basing a finding of inequitable conduct on proceedings in foreign jurisdictions because of “differences in disclosure requirements, claim practice, form of application, and standard of patentability.” *Molins*, 48 F.3d at 1180.

68. “This Manual [of Patent Examining Procedure] is published to provide [PTO] patent examiners, applicants, [and] attorneys . . . with a reference work on the practices and procedures relative to the prosecution of patent applications before the USPTO. . . . The Manual does not have the force of law or the force of the rules in Title 37 of the Code of Federal Regulations.” *Foreword* to U.S. DEP'T OF COMMERCE, U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE (8th ed., rev. 2005) [hereinafter MPEP].

or from co-pending United States patent applications, (2) information from related litigation, and (3) information relating to claims copied from a patent.⁶⁹

The consequences of a court finding that an applicant engaged in inequitable conduct can be very severe. Some of the possible sanctions delivered by courts include: invalidity, unenforceability, cancellation suit, attorney's fees, antitrust liability, liability under the Federal Trade Commission Act, liability under securities laws, recovery of royalties, loss of attorney-client and work product privileges, disciplinary action against attorneys and agents, RICO liability, and state law tort claims for unfair competition.⁷⁰

Over the years courts have used several different tests to determine whether a reference is material. Before 1977, courts used a "but for" standard to determine if a reference was material.⁷¹ In 1977, the PTO adopted a "reasonable patent examiner" subjective standard in Rule 56 to determine whether a reference is material.⁷² In 1992, the PTO adopted an objective standard focusing on prima facie patentability.⁷³ The Federal Circuit recently decided to use the old Rule 56 standard for applications pending before March 16, 1992, and the new Rule 56 test for applications pending on or filed after March 16, 1992.⁷⁴ The remainder of this Comment focuses on the tests courts have used to determine materiality, the general purposes behind inequitable conduct that the test for materiality should serve, and what test for materiality best serves the main purpose of the inequitable conduct doctrine.

69. *Id.* § 2001.06(b)–(d). Rule 56(a) also gives two examples of where the PTO encourages applicants to look for material information: "(1) [p]rior art cited in search reports of a foreign patent office in a counterpart application, and (2) [t]he closest information over which individuals associated with the filing or prosecution of a patent application believe any pending claim patentably defines, to make sure that any material information contained therein is disclosed to the [PTO]." 37 C.F.R. § 1.56(a) (2005).

70. See CHISUM, *supra* note 5, § 19.03[6], at 19-353; Glenn E. Von Tersch, *Curing the Inequitable Conduct Plague in Patent Litigation*, 20 HASTINGS COMM. & ENT. L.J. 421, 425–28 (1998).

71. CHISUM, *supra* note 5, § 19.03[3], at 19-218. If a patent would not have issued "but for" the patent holder's omission of the reference then that reference is material. *Id.*; see *infra* Parts III.A–C.

72. 37 C.F.R. § 1.56 (1977) (since amended) (providing that "information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent"); see *infra* Part III.D.

73. 37 C.F.R. § 1.56(b) (2004) (providing that "information is material to patentability when . . . (1) [i]t establishes . . . a prima facie case of unpatentability of a claim; or (2) [i]t refutes, or is inconsistent with, a position the applicant takes in: (i) [o]pposing an argument of unpatentability relied on by the Office, or (ii) [a]sserting an argument of patentability"); see *infra* Part III.E.

74. *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs. Ltd.*, 394 F.3d 1348, 1352 (Fed. Cir. 2005); *Purdue Pharma L.P. v. Endo Pharms. Inc.*, 410 F.3d 690, 696 (Fed. Cir. 2005).

III. EXPLANATION OF TESTS USED TO DETERMINE MATERIALITY

The test for materiality has evolved over the years. From 1945, when the Supreme Court recognized in *Precision Instrument* that fraudulently procured patents harmed the public, until 1982, when Congress created the Federal Circuit, the circuit courts individually determined what test to use for inequitable conduct.⁷⁵ Prior to the 1977 amendment of Rule 56, courts used three different “but for” tests to determine materiality.⁷⁶ Under the “objective but for” test a reference is material only if it would have precluded the issuing of the patent were it disclosed.⁷⁷ Under the “subjective but for” test, if a patent issues based on fraudulent misrepresentations then the information withheld or misrepresented is deemed to be material.⁷⁸ The “but it may have” test finds materiality in information which if disclosed may have precluded the issuance of the patent.⁷⁹ Rule 56, as amended in 1977, provided: “[I]nformation is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.”⁸⁰ In 1992 the PTO amended Rule 56 to provide for a more objective test on what information it deemed material to patentability.⁸¹ Under the new Rule 56, information is material if “[i]t establishes . . . a prima facie case of unpatentability of a claim.”⁸² The “objective but for” test, “subjective but for” test, and “but it may have” test are no longer used by the Federal Circuit to determine materiality. Currently the Federal Circuit uses the old Rule 56 reasonable patent examiner standard for patent applications pending before March 16, 1992, and the new Rule 56 standard for patents pending on or filed after March 16, 1992.⁸³

A. “Objective But For” Test

The first “but for” test is called the “objective but for” test. This test finds materiality in a reference only if the reference would have precluded the

75. Goldman, *supra* note 1, at 52–67 (discussing the development of the inequitable conduct doctrine in the circuit courts from 1945–1982).

76. CHISUM, *supra* note 5, § 19.03[3][a], at 19-219–20.

77. Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 174 (1965); *In re* Multidistrict Litig. Involving Frost Patent, 398 F.Supp. 1353, 1368 (D. Del. 1975); Goldman, *supra* note 1, at 55.

78. American Cyanamid Co. v. Fed. Trade Comm’n, 363 F.2d 757, 778 (6th Cir. 1966); *Frost Patent*, 398 F.Supp. at 1368; Goldman, *supra* note 1, at 54.

79. *Frost Patent*, 398 F.Supp. at 1368–69; SCM Corp. v. Radio Corp. of America, 318 F.Supp. 433, 449–50 (S.D.N.Y. 1970).

80. 37 C.F.R. § 1.56(a) (1977).

81. 37 C.F.R. § 1.56 (2004).

82. *Id.* at § 1.56(b).

83. Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs. Ltd., 394 F.3d 1348, 1352 (Fed. Cir. 2005); Purdue Pharma L.P. v. Endo Pharms. Inc., 410 F.3d 690, 696 (Fed. Cir. 2005).

issuing of the patent.⁸⁴ To apply this test the court must first make a determination of invalidity based on the prior art that was not disclosed.⁸⁵ This test for materiality would make the doctrine of inequitable conduct mostly unnecessary because if a patent is invalid based on a reference, it is invalid regardless of whether the inventor withheld the reference.⁸⁶ However, courts have applied this test in antitrust actions as one of the necessary predicates to find that a patentee committed an antitrust violation by fraudulently exploiting an invalid patent.⁸⁷ The “objective but for” test is the narrowest test for materiality. A clear example of how this test is applied is the Supreme Court’s decision in *Walker Process Equipment v. Food Machinery & Chemical Corp.*⁸⁸

In *Walker Process*, a patentee brought a suit for infringement against an alleged infringer.⁸⁹ The alleged infringer denied infringement and counterclaimed, alleging the patentee violated the antitrust laws by fraudulently exploiting its invalid patent.⁹⁰ The court found the patent invalid because during prosecution the applicant withheld that its invention was in public use more than one year prior to the filing of its patent application.⁹¹ Under oath the applicant stated it did not know the invention was in public use in the United States more than one year prior to its application.⁹² However, the applicant knew its invention was in public use in the United States more than one year prior to the application, because it sold and installed equipment covered by the claims in the application.⁹³ The court reasoned that but for this withholding of information the patent would not have issued.⁹⁴ If the applicant was truthful and told the PTO about the prior use and sale, then the invention claimed in the application would not have met the statutory requirements to obtain a patent and the PTO would not have issued the patent.⁹⁵

84. *Frost Patent*, 398 F.Supp. at 1368.

85. *Id.*

86. *See Norton v. Curtiss*, 433 F.2d 779, 795 (C.C.P.A. 1970). The doctrine of inequitable conduct would still help where the prior art reference did not anticipate all of the patent’s claims because it would render the entire patent unenforceable.

87. Raymond P. Niro et al., *Nonstatutory Defenses in Patent Infringement Suits: Where Did They Come From? Where Are They Going?*, 320 PRACTISING LAW INST., PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROP. COURSE HANDBOOK SERIES 711, 749–50 (1991).

88. 382 U.S. 172 (1965).

89. *Id.* at 173.

90. *Id.* at 173–74.

91. *Id.* at 174; *see* 35 U.S.C. § 102(b) (2000).

92. *Walker Process*, 382 U.S. at 174.

93. *Id.*

94. *Id.*

95. *See* note 21 and accompanying text.

B. “Subjective But For” Test

The second “but for” test is called the “subjective but for” test. This test evolved from the “objective but for” test and finds materiality in instances where the “objective but for” test does not.⁹⁶ The “subjective but for” test focuses on the effect that any fraudulent misrepresentations, had on the examiner.⁹⁷ If the examiner issued the patent in reliance on misrepresentations, then the references are material.⁹⁸ One case applying the “subjective but for” test of materiality is *American Cyanamid Co. v. FTC*.⁹⁹

American Cyanamid Co. involved an appeal from a Federal Trade Commission (FTC) decision holding that drug companies violated the Federal Trade Commission Act by engaging in a price fixing scheme with the antibiotic tetracycline.¹⁰⁰ Central to this holding was the FTC’s finding that the drug companies deliberately made false and misleading statements to the PTO and that they withheld material information from the PTO in order to secure a patent on tetracycline.¹⁰¹ The Sixth Circuit remanded the case in order to determine what, if any, effect these alleged misrepresentations had on the patent examiner who granted the tetracycline patent.¹⁰² In the FTC hearing, the patent examiner did not testify despite repeated requests by the drug companies that the examiner testify, because the FTC found it would be against PTO policy.¹⁰³ The court found that the FTC could subpoena the examiner as a witness, and it was necessary for the examiner to testify in order to support the FTC’s holding.¹⁰⁴ The court noted, “[T]he ultimate questions are: Did [the patent examiner] receive all the information that he requested from [the drug company]? And was [the patent examiner] misled [sic] and deceived by [the drug companies] and did he grant the tetracycline patent as the result of such deception?”¹⁰⁵ Thus, here is a clear example of what constitutes materiality under the “subjective but for” test. The test focuses on the state of mind of the actual patent examiner who issued the patent.

96. Goldman, *supra* note 1, at 55–60.

97. Jerome G. Lee et al., *Equitable Defenses in Patent Cases*, 320 PRACTISING LAW INST., PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROP. COURSE HANDBOOK SERIES 571, 580–81 (1991).

98. *See id.*

99. 363 F.2d 757 (6th Cir. 1966).

100. *Id.* at 760.

101. *Id.* at 772.

102. *Id.* at 779.

103. *Id.* at 778.

104. *American Cyanamid*, 363 F.2d at 779.

105. *Id.* at 778.

C. “But It May Have” Test

The third “but for” test is called the “but it may have” test. This test encompasses even more material than the “subjective but for” test.¹⁰⁶ This test looks to whether misrepresentations in prosecution may have had an effect on the examiner.¹⁰⁷ One court described the test thusly: “[A] misrepresentation which makes it ‘impossible for the Patent Office fairly to assess [the] application against the prevailing statutory criteria,’ will, given the requisite intent, lead to a finding of invalidity.”¹⁰⁸ The court in *SCM Corp. v. Radio Corp. of America* used this test to analyze the materiality of withheld information.¹⁰⁹

In *SCM Corp.*, the PTO denied the applicant’s initial application based on the prior art.¹¹⁰ In order to strengthen its application, the applicant conducted testing to distinguish its invention from the prior art and filed the test results in support of its application.¹¹¹ In filing the affidavit with the test results, the applicant withheld subsequent test data which contradicted its first test results.¹¹² After several amendments, the PTO granted the applicant’s patent.¹¹³ The court found under both the objective and subjective “but for” tests that the withheld test data was not material.¹¹⁴ However, the court still held the patent unenforceable because of the withheld test data.¹¹⁵ The court reasoned that “any inequitable conduct on the part of the applicant in obtaining a patent will be sufficient to dissuade a court of equity from rendering him its aid in enforcing the patent against infringers.”¹¹⁶ In so holding, the court

106. Lee et al., *supra* note 97, at 581.

107. *Id.*

108. *In re Multidistrict Litig. Involving Frost Patent*, 398 F.Supp. 1353, 1369 (D. Del. 1975) (alteration in original) (internal citation omitted). The court in *Frost Patent* found a patent invalid where the applicant “knew or should have known that the undisclosed information in its possession could have refuted the arguments it was making to the Patent Office.” *Id.* at 1373. In addition, “A misrepresentation is material when its existence might have influenced a patent examiner.” *Hercules Inc. v. Exxon Corp.*, 497 F.Supp. 661, 689 (D. Del. 1980). The Commissioner of Patents and Trademarks also adopted this test in *In re Altenpohl*, 198 U.S.P.Q. 289, 310 (Dec. Comm’r Pat. 1976) (“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.”).

109. 318 F. Supp. 433 (S.D.N.Y. 1970).

110. *Id.* at 440.

111. *Id.* at 444.

112. *Id.* at 446.

113. *Id.*

114. *SCM Corp.*, 318 F. Supp. at 449.

115. *Id.* at 450.

116. *Id.* at 449. The court went on to state:

No one can tell with certainty what would have happened if [the applicant] had dealt fairly with the Patent Office. But the fact remains that [the applicant] did withhold

rejected both the subjective and objective “but for” tests for materiality and focused on whether the withheld information was relevant.¹¹⁷ Thus, the court expanded the test for materiality beyond that which would be included in the objective or subjective “but for” tests. Later courts named the test used in *SCM Corp.* the “but it may have” test.¹¹⁸

D. Old Rule 56 Subjective Test

In 1977, the PTO amended Rule 56 to state that “information is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.”¹¹⁹ The Federal Circuit has stated that courts may use several tests in determining the minimum threshold of materiality, but PTO Rule 56 is the appropriate starting point.¹²⁰ The Federal Circuit accepted this guideline by noting that it is meant to describe how an applicant ought to conduct business with the PTO.¹²¹ The Federal Circuit has noted that “the pertinent inquiry is not whether a reasonable examiner would want to be aware of a particular thing, but whether, after he was aware of it, he would ‘consider it important’ in deciding whether to reject one or more claims.”¹²²

A.B. Dick Co. v. Burroughs Corp. illustrates how courts apply the reasonable patent examiner test.¹²³ In *A.B. Dick*, the inventor knew of prior references disclosing methods similar to what he regarded as the most important part of his invention.¹²⁴ However, neither the inventor nor his attorney disclosed the references to the PTO during prosecution of the patent.¹²⁵ Six years into prosecution of the patent, the examiner found the references and rejected claims in the application based on them.¹²⁶ The

relevant facts. Which side in this litigation is to suffer from this conduct? It is appropriate that it should be [the applicant] who suffers. . . . The evidence here justifies the conclusion that this court should not enforce a patent obtained under these circumstances.

Id. at 449–50.

117. *Id.*

118. See, e.g., *In re Multidistrict Litig. Involving Frost Patent*, 398 F.Supp. 1353, 1368 (D. Del. 1975).

119. 37 C.F.R. § 1.56 (1977).

120. See *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1440 (Fed Cir. 1991); *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559 (Fed Cir. 1984); *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir. 1984).

121. See *Halliburton*, 925 F.2d at 1440; *Am. Hoist*, 725 F.2d at 1363.

122. *Am. Hoist*, 725 F.2d at 1363 n.2.

123. 798 F.2d 1392, 1392 (Fed. Cir. 1986). The invention in this case was ink jet printing. *Id.* at 1393.

124. *Id.* at 1397.

125. *Id.* at 1396.

126. *Id.* at 1397.

applicant amended the claims, and the examiner allowed the amended claims in light of the references the applicant withheld but the examiner eventually discovered.¹²⁷ The court held that the applicant engaged in inequitable conduct by intentionally withholding the prior art references.¹²⁸ The court used the “reasonable patent examiner” standard to determine if the prior references were material.¹²⁹ The court found that the prior references were material because: (1) the inventor stated that the references described methods similar to his, (2) the inventor stated that these methods were the “most important part” of his invention, and (3) after the examiner found the references, the examiner rejected claims in the application.¹³⁰ Thus, the court noted it was obvious that a reasonable examiner would have considered the references important in examining a patent, because here the references actually resulted in changing the patent.¹³¹

The patent bar criticized the decision in this case because the court held a patent invalid based on the applicant’s failure to disclose references that the examiner subsequently discovered before the patent issued.¹³² However, this is a clear example of how the “reasonable patent examiner” test operates. The result in this case would come out different today after a 1992 amendment to the rules, because the new rules allow an applicant to submit material information at any time before a patent issues, without penalty, so long as the applicant follows certain procedures.¹³³

E. Current Rule 56 Objective Test

The PTO issued a new standard of materiality in 1992 which focused on more objective determinations of what is material information.¹³⁴

[I]nformation is material to patentability when it is not cumulative to information already of record . . . and

(1) It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or

127. *Id.* at 1398.

128. *A.B. Dick Co.*, 798 F.2d at 1400.

129. *Id.* at 1398.

130. *Id.*

131. *See id.*

132. *See e.g.*, Lee et al., *supra* note 97, at 591.

133. *See* 37 C.F.R. § 1.97–98 (2005). Rule 1.97 sets time requirements on when the applicant must file an information disclosure statement. 37 C.F.R. § 1.97. Rule 1.98 requires the information disclosure statement to include “[a] list of all patents, publications, applications, or other information submitted for consideration by the [PTO].” 37 C.F.R. § 1.98(a)(1). Rule 1.98 also requires a legible copy of the information submitted, a concise explanation of the relevance of any information not in English or a translation, and other procedural requirements. 37 C.F.R. § 1.98(a)(2)–(3).

134. *Id.* § 1.56(b).

- (2) It refutes, or is inconsistent with, a position the applicant takes in:
- (i) Opposing an argument of unpatentability relied on by the Office, or
 - (ii) Asserting an argument of patentability.

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of evidence, burden-of-proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification, and before any consideration is given to evidence which may be submitted in an attempt to establish a contrary conclusion of patentability.¹³⁵

From 1982 until 2005, the Federal Circuit used the old Rule 56 standard to determine materiality.¹³⁶ Recently, the Federal Circuit decided that for patent applications pending on or filed after March 16, 1992, it will use the new Rule 56 standard to determine materiality.¹³⁷

In *Dayco Products, Inc. v. Total Containment, Inc.*, the Federal Circuit addressed whether or not the district court erred in granting summary judgment to an alleged infringer because of inequitable conduct by an applicant.¹³⁸ The court held the district court erred in granting summary judgment with respect to the applicant's failure to cite three references in its application.¹³⁹ For the first reference, the court held that a concurrent patent application filed by the applicant was material to the patent in suit under both the old Rule 56 and new Rule 56.¹⁴⁰ However, the alleged infringer failed to meet its burden under summary judgment to prove the requisite intent to deceive.¹⁴¹ For the second reference, the court held that the alleged infringer failed to show a prior patent met either standard of materiality.¹⁴² For the third reference, the court held that a contrary decision of another examiner reviewing a similar claim met either standard of materiality.¹⁴³ However, the court did not address whether the applicant met its standard to prove intent to deceive.¹⁴⁴

The Federal Circuit in *Dayco Products* stated that for patent applications prosecuted before the PTO's 1992 change in Rule 56 it would use the "reasonable patent examiner" standard for materiality.¹⁴⁵ The applicant filed

135. *Id.*

136. *See* Goldman, *supra* note 1, at 72–73.

137. Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs. Ltd., 394 F.3d 1348, 1352 (Fed. Cir. 2005); Purdue Pharma L.P. v. Endo Pharms. Inc., 410 F.3d 690, 696 (Fed. Cir. 2005).

138. 329 F.3d 1358, 1362 (Fed. Cir. 2003).

139. *Id.*

140. *See id.* at 1365–66.

141. *Id.* at 1366.

142. *Id.* at 1367.

143. *Dayco Products*, 329 F.3d at 1368.

144. *Id.*

145. *Id.* at 1364.

three of the patents-in-suit in *Dayco* after the January 17, 1992 change in Rule 56.¹⁴⁶ However, the court did not resolve which standard of materiality it would use because it found that under either test the outcome was the same with respect to the three withheld references at issue.¹⁴⁷ Presently, the Federal Circuit analyzes materiality for patents pending on or filed after March 16, 1992, under the new Rule 56 test.¹⁴⁸

Since inequitable conduct defenses first started popping up in patent infringement suits, the standard of materiality has been broadened from the objective “but for” standard to the “reasonable patent examiner” standard. With the adoption of new Rule 56, the PTO attempted to narrow the standard in order to fix perceived problems created by the broadening of the rule.

IV. POLICIES OF INEQUITABLE CONDUCT

Before deciding on which materiality test best serves the doctrine of inequitable conduct, it is important to look at the policies behind inequitable conduct to determine which test best promotes the most important policies of inequitable conduct. Three purposes the doctrine of inequitable conduct serves are: (1) to punish an applicant for misrepresenting information, falsifying information, or lying during examination proceedings, (2) to make sure the patent examiner has all pertinent information when making a determination on patentability, and (3) to minimize the burden on the court system of frivolous inequitable conduct claims and promote the certainty of patents. Arguably, the most valuable patents are litigated, and litigation effectively brings any withheld information to light. As such, the standard of materiality used by the courts should conform to the first purpose of the inequitable conduct doctrine, punishing a dishonest applicant, while also addressing concerns of the third purpose, minimizing the burden on the courts and promoting the certainty of patents.

A. *Punishing Dishonest Applicants*

The first purpose of the inequitable conduct doctrine is to punish an applicant who misrepresents information, falsifies information, or lies during examination proceedings.¹⁴⁹ This purpose of inequitable conduct doctrine comes from the equity maxim that “he who comes into equity must come with

146. *Id.*

147. *Id.*

148. *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs. Ltd.*, 394 F.3d 1348, 1352 (Fed. Cir. 2005); *Purdue Pharma L.P. v. Endo Pharms. Inc.*, 410 F.3d 690, 696 (Fed. Cir. 2005).

149. See John R. Thomas, *On Preparatory Texts and Proprietary Technologies: The Place of Prosecution Histories in Patent Claim Interpretation*, 47 UCLA L. REV. 183, 234 (1999) (“Alternatively, we may wish to uphold traditional inequitable conduct doctrine by punishing behavior we wish to deter, rather than by exploring the consequences of that behavior.”).

clean hands.”¹⁵⁰ In defining materiality in this context a balance must be struck between two sides. First, the definition of materiality must be expansive enough for it to have any real meaning. If the definition only encompasses information that would invalidate a patent, then without inequitable conduct the patent would inevitably be invalid anyway.¹⁵¹ However, as the definition becomes more expansive there becomes more of an incentive for alleged infringers to charge inequitable conduct during litigation proceedings.¹⁵² This will prolong litigation, as the court system must determine whether an applicant engaged in inequitable conduct with respect to withheld information.¹⁵³ It also may result in taking away patent protection for worthy inventions just because a patentee did not disclose some trivial matter.¹⁵⁴

B. Making Sure the Patent Examiner Has All Pertinent Information

The second purpose of inequitable conduct doctrine, making sure the examiner has all pertinent information, is set out in Rule 56. The rule states, “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 [PTO] is aware of and evaluates the teachings of all information material to patentability.”¹⁵⁵ The decision in *Precision Instrument*, one of the first cases finding a patent unenforceable for inequitable conduct, also supports this purpose.¹⁵⁶ The Court stated that a patent affects the public interest.¹⁵⁷ Patents serve the public purpose of promoting the progress of science and the useful arts by giving the patent holder a monopoly in his invention.¹⁵⁸ The public has a valid interest in denying a patent monopoly where the patentee engaged in inequitable conduct or fraud to obtain his patent.¹⁵⁹ Therefore, a patentee must come into an infringement suit with clean hands.¹⁶⁰

However, the statutory requirements for a patent are adequate to make sure the examiner has all pertinent information. If an applicant does not disclose

150. *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814 (1945); *see supra* note 50.

151. *See supra* Part III.A. However, inequitable conduct would still help in situations where a prior art reference does not anticipate all of a patent’s claims.

152. *See* Goldman, *supra* note 1, at 89; Rene D. Tegtmeyer, *A Refocusing on Inequitable Conduct in New Rule 56*, 20 AIPLA Q.J. 191, 194 (1992).

153. *See* Anderson, *supra* note 3, at 846–47; Lee, *supra* note 8, at 132.

154. *See* John F. Lynch, *An Argument for Eliminating the Defense of Patent Unenforceability Based on Inequitable Conduct*, 16 AIPLA Q.J. 7, 9 (1988).

155. 37 C.F.R. § 1.56(a) (2005).

156. *See supra* notes 43–46 and accompanying text.

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

158. *Id.*

159. *Id.*

160. *See id.*

some material information during the examination process and the patent is litigated, the information will come to light during litigation. To accomplish this, some interested party must copy the patented device or method and either sue the patent holder for declaratory judgment or be sued by the patent holder for infringement.¹⁶¹ Then, the alleged infringing party will bring to light all information possible in order to secure a ruling invalidating the patent, including any information the patent holder withheld during prosecution of the patent. If a patent is not litigated, and material information was withheld from the PTO during prosecution, then obviously litigation will not help to bring the information to light. For a non-litigated patent there are two possible scenarios: (1) if the applicant disclosed the withheld information the patent would not have issued, or (2) even if the applicant disclosed the withheld information the patent would still have issued. In the next three sections of this Comment, the arguments as they pertain to non-litigated bad patents, non-litigated valid patents, and litigated patents are addressed, concluding that inequitable conduct is not necessary to make sure the examiner has all pertinent information. After that discussion is a focus on reexamination proceedings and why they do not solve the problems created by high cost patent litigation.

1. Non-litigated Bad Patent

In the first scenario, where the applicant withheld material information and the PTO would not have granted the patent if the applicant disclosed the information, there is an invalid patent out in the marketplace potentially deterring others from practicing what was patented. Some noted commentators have given reasons why the perceived social costs from this scenario are not all that great.

One study showed that litigation is more likely to occur early on in the life of a patent and the most valuable patents are litigated.¹⁶² The study showed that if a patent is litigated the most probable time for the litigation to end is

161. "A patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. § 281 (2000). What constitutes infringement of a patent is set out in 35 U.S.C. § 271: "[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent." The Declaratory Judgment Act states,

In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 U.S.C. § 2201(a) (2000).

162. John R. Allison et al., *Valuable Patents*, 92 GEO. L.J. 435, 460 (2004). This study based its findings on the assumption that litigated patents are valuable patents and that value is measured by the economic benefit an individual patent has to its owner. *Id.* at 439–40.

three years from the date of issuance of the patent and that as time passes the probability drops.¹⁶³ Therefore, the authors of the study reasoned that it is rare for a patent to become valuable and be litigated late in its life.¹⁶⁴ Based on this study, the social cost of relying on litigation to bring out information is lower than expected because the most valuable patents will be litigated, and that litigation will happen early in the life of the patent.

Another noted author on the subject, Mark A. Lemley, has asserted that litigation is more economically feasible to weed out bad patents than is strengthening the examination process.¹⁶⁵ Lemley countered potential objections to his argument. In response to what he termed “in terrorem effects” (the concern that potential competitors will be deterred from entering a field because of the existence of patents owned by their competitors), Lemley argued that for bad patents that are neither litigated nor licensed, potential competitors will not even be aware of them and thus will not be deterred.¹⁶⁶ Thus, inequitable conduct is not needed to stop bad patents from entering the marketplace, because if the patent is valuable it will be litigated and if it is neither valuable nor litigated, then its holder likely will not enforce it.

2. Non-litigated Valid Patent

In the second scenario, where the applicant withheld material information but the PTO still would have granted the patent if the applicant disclosed the information, there is no reason why this information needs to come to light, whether through the applicant disclosing it (for fear that if the applicant did not the applicant could be subject to inequitable conduct), or through litigation. The PTO may prefer that applicants disclose information such as this if it is a close call, but in the end if the patent is valid, the patent is valid.

3. Problems in Relying on Litigation

In the third scenario—where the applicant withheld material information, obtained a patent, and the patent is litigated—relying on litigation to bring all material information to light has some drawbacks. First, it creates a drag on the court system to rely on litigation to bring out information.¹⁶⁷ Second, it costs a lot of money for an interested party to copy a patented method or

163. *See id.* at 477. The data for this study came from “all issued U.S. patents from 1963 through 1999 (2,925,537 patents in total) [compared] with all patents for which a lawsuit was filed in any federal court and which terminated during 1999–2000 (6,861 patents in total).” *Id.* at 445 (internal citation omitted).

164. *Id.* at 460.

165. Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1531–32 (2001).

166. *Id.* at 1516–17.

167. *But see id.* at 1510–11 (arguing that it is more cost effective to deal with bad patents through litigation than through stronger examination proceedings).

device and then enter into litigation in an attempt to secure a ruling invalidating the patent.¹⁶⁸ Because of this cost deterrence, there may be a long period of time before an interested party with enough money will challenge the patent in light of the undisclosed information.

In a recent article, Joseph Farrell and Robert P. Merges discussed why litigation does not work to fix prosecution errors.¹⁶⁹ They believe that because of economic factors the patentee has more of an incentive to win in patent litigation and that because of this skewed incentive the patentee will spend more money to win litigation.¹⁷⁰ They also make the assumption that the side that spends the most money in litigation is more likely to win.¹⁷¹ Thus, because of economic incentives the patentee is more likely to win in litigation. The economic factors giving the patentee a greater incentive to win than the alleged infringer are termed the “public good problem” and “pass-through problem.”¹⁷²

The “public good problem” arises from the nature of a patent. Any party wishing to challenge a patent’s validity must, if it wins, share its victory with the rest of the world, including its competitors.¹⁷³ This forced sharing deters an alleged infringer’s incentive to see litigation to its finish, especially if there is an attractive settlement offer by the patentee.¹⁷⁴ The “pass-through problem” arises from the effect of multiple infringers passing the royalties they must pay to use a patented method or device on to the consumer.¹⁷⁵ The result of this effect is that even if all the infringers combined together, they still would not have as great an incentive to win in litigation as the patentee.¹⁷⁶

Farrell and Merges also pointed out other deterrents of challenging a patent in litigation. If the alleged infringer loses, the court may order a permanent injunction against the infringer, forcing the infringer out of the market completely.¹⁷⁷ Also, the patentee may charge higher royalties against

168. *Id.* at 1502. A 1999 American Intellectual Property Law Association report estimated that the median cost of patent litigation is \$799,000 for each side through the end of discovery and \$1,503,000 for each side through trial and appeal. *Id.*

169. Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won’t Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 BERKELEY TECH. L.J. 943, 943 (2004).

170. *Id.* at 948.

171. *Id.* at 948–49.

172. *Id.* at 948.

173. *Id.* at 952; Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents*, 19 BERKELEY TECH. L.J. 667, 668 (2004). Miller posits that giving a successful patent challenger a “cash bounty” will encourage the litigation of patents and thus reduce the social cost of having invalidly issued patents. *Id.* at 704–05.

174. Farrell & Merges, *supra* note 169, at 952; Miller, *supra* note 173, at 668.

175. Farrell & Merges, *supra* note 169, at 953.

176. *Id.* at 953–54.

177. *Id.* at 956.

infringers who challenge the patent than against infringers who quietly pay royalties instead of challenging.¹⁷⁸ Farrell and Merges believe this system encourages settlement in cases involving invalid patents.¹⁷⁹ The result of all this is a high social cost created by invalid patents in the marketplace deterring others from using what should not have been patented in the first place.¹⁸⁰ Ultimately the cost is then borne by the public at large.¹⁸¹

Empirical data shows that in litigation the patent holder has an advantage over the alleged infringer. One study that included all final decisions on validity resulting in written opinions reported in the United States Patents Quarterly from 1989 through 1996 noted that 54% out of 300 decisions found the patent valid.¹⁸² This study also noted that 49 out of 73 (67.1%) patents tried before a jury were found valid, while 23 out of 82 (28.1%) patents decided on pre-trial motion were found valid, and 82 out of 143 (57.3%) patents tried in bench trials were found valid.¹⁸³ Thus, a patent tried before a jury is more likely to be held valid than a patent tried before the court or decided on pre-trial motion.¹⁸⁴

Another study conducted from data of terminated patent cases compiled from the Administrative Office of the United States Courts found that the patentee won 706 out of 1209 (58%) cases.¹⁸⁵ This study also found the

178. *Id.*

179. *Id.* at 968.

180. Farrell & Merges, *supra* note 169, at 968.

181. *Id.* The authors did propose solutions to the inadequacy of litigation to fix Patent Office errors, including improving Patent Office examination proceedings by regularly having more than one examiner assess an application and providing for a greater range of penalties for inequitable conduct to encourage the disclosure of information. *See id.* at 960–63. A greater range of penalties would make it more likely for courts to enforce inequitable conduct doctrine because a court may be reluctant to completely invalidate a patent in a close case. *Id.* at 961.

182. John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 187–88, 205 (1998). This study did state that it could not predict with confidence the hypothesis that patents are more likely to be held valid than invalid, because the p-value for this test is greater than .1 which is an indication that there is no statistical significance in the hypothesis. *Id.* at 206 & n.54.

183. *Id.* at 212. The hypothesis that there is no difference between the likelihood of a patent tried to a jury, tried to a court, and resolved before trial being found invalid was rejected with a p-value of less than .001 indicating statistical significance in the percentage differences. *Id.* at 213.

184. *See id.*

185. Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 99 MICH. L. REV. 365, 380, 385 (2000). In this study the hypothesis that either party has an equal chance of winning a patent lawsuit was rejected with a p-value of less than .01 indicating a statistical significance in the percentage difference. *Id.* at 385 & n.82. In the study, [a] case was considered won by the patentee if the patentee won at least one patent claim in its entirety. If the patentee claimed two patents were infringed and the court concluded that one of the two patents was valid, enforceable, and infringed, it was considered a verdict for the patentee, even if the other patent was held invalid or not infringed. If, however, the infringer prevailed on any issue with respect to each claim, it was considered

patentee win rate exceeded 68% for jury cases compared with a win rate of 51% for bench trials.¹⁸⁶ On the issue of validity, this study found that the patent holder won 775 out of 1151 (67%) times.¹⁸⁷ Thus, based on this data set, a jury is more likely than a judge to find a patent valid, enforceable, and infringed.¹⁸⁸ The study also found that an appellate court was unlikely to overturn the issue of validity, with 78% of 443 decisions upheld.¹⁸⁹ Both of these studies show the patentee has an advantage in litigation over an alleged infringer. This is another drawback in relying on the litigation system to bring to light withheld information. Even with these problems, the adversarial nature of litigation makes it more effective at bringing out information than ex parte patent prosecution.¹⁹⁰

4. Reexamination Proceedings: An Ineffective Solution to High Cost Litigation

In response to the problems of high cost patent litigation, Congress created the reexamination proceeding, which allows the patentee, a third party, or the PTO to request a reexamination of a patent in light of new information.¹⁹¹ There are two types of reexamination proceedings—ex parte and inter partes. Ex parte reexamination, created in 1980, allows a third party to request a proceeding by citing to the PTO previously uncited prior art; but after the initial request for a new proceeding the third party is only given one more chance to respond to the patentee's arguments before the proceeding is conducted like an initial examination without the third party.¹⁹² Because the

a verdict for the infringer. For example, if the patent was held valid and enforceable, but not infringed, this case would be considered won by the infringer.

Id. at 385 n.81.

186. *Id.* at 386–87.

187. *Id.* at 390 tbl.4. On the issue of validity, when broken down between judge and jury, the jury found the patent valid 389 out of 551 (71%) times and the judge found the patent valid 387 out of 601 (64%) times. *Id.*

188. *See id.* at 390.

189. *Id.* at 399 tbl.7.

190. Von Tersch, *supra* note 70, at 434.

191. Farrell & Merges, *supra* note 169, at 965.

192. *Id.*; *see* 35 U.S.C. § 302 (2000) (“Any person at any time may file a request for reexamination by the [PTO] of any claim of a patent on the basis of any prior art [patents or printed publications].”).

If . . . the Director finds that a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent for resolution of the question. The patent owner will be given a reasonable period, not less than two months from the date a copy of the determination is given or mailed to him, within which he may file a statement on such question, including any amendment to his patent and new claim or claims he may wish to propose, for consideration in the reexamination.

Id. § 304.

proceeding does not give the person requesting the reexamination a good opportunity to challenge the patent, less than 1% of issued U.S. patents are challenged by a reexamination request.¹⁹³ Out of the less than 1% of patents challenged by reexamination, cancellation results in only 12.2% of the cases.¹⁹⁴

In response to the shortcomings of the *ex parte* reexamination proceeding, Congress created the *inter partes* reexamination proceeding in 1999.¹⁹⁵ The *inter partes* reexamination differs from the *ex parte* in two principal aspects. First, the *inter partes* reexamination gives the party requesting reexamination the opportunity to file written comments every time the patent owner files a response to an action on the merits from the PTO.¹⁹⁶ This gives third parties more of a say in the reexamination proceeding, which is the major drawback of the *ex parte* proceeding. This new freedom comes at a cost as the second major difference is that after the *inter partes* reexamination the requester cannot revisit any issue raised in the proceeding in a later trial.¹⁹⁷ Thus, the PTO's determination in the *inter partes* reexamination is final. Because of this, through 2003 there have been only twenty-six requests for *inter partes* reexamination.¹⁹⁸ Therefore, given that the reexamination proceeding is infrequently used, it is not an effective means of correcting errors in the initial examination process and curbing high cost patent litigation.

193. Farrell & Merges, *supra* note 169, at 966 (citing USPTO, PERFORMANCE AND ACCOUNTABILITY REPORT FISCAL YEAR 2003 119 tbl.13a, available at <http://www.uspto.gov/web/offices/com/annual/2003/2003annualreport.pdf>). The USPTO 2003 fiscal report also showed that in 2003 only 392 total requests for reexamination were filed and 239 out of the 392 were requested by a third party. *Id.*

194. *Id.* at 966 n.67 (citing Stuart J.H. Graham et al., *Post-Issue Patent "Quality Control": A Comparative Study of US Patent Re-examinations and European Patent Oppositions 1* (Nat'l Bureau of Econ. Research, Working Paper No. 8807, 2002)).

195. Optional *Inter Partes* Reexamination Procedure Act of 1999, Pub. L. No. 106-113 app. I, 113 Stat. 1501A-567 (codified at 35 U.S.C. §§ 311-18 (2000)).

196. 35 U.S.C. § 314(b)(3).

Each time that the patent owner files a response to an action on the merits from the Patent and Trademark Office, the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner's response thereto, if those written comments are received by the Office within 30 days after the date of service of the patent owner's response.

Id.

197. *Id.* § 315(c).

A third-party requester whose request for an *inter partes* reexamination results in an order under section 313 is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, United States Code, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the *inter partes* reexamination proceedings.

Id.

198. Farrell & Merges, *supra* note 169, at 967 (citing USPTO, *supra* note 193, at 119 tbl.13b).

C. *Minimizing Burden on Court System*

The legal standard used to determine whether inequitable conduct occurred is important because of the abundance of parties asserting the inequitable conduct defense in patent infringement actions.¹⁹⁹ As the Federal Circuit noted “the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.”²⁰⁰ A relaxation of the standard for materiality encourages alleged infringers to assert the defense when the facts of the situation may not support it.²⁰¹ This results in inefficiencies in the court system, increased legal fees, and possible damage to the reputation of parties against whom the defense is asserted.²⁰² Tightening the standard may discourage alleged infringers from asserting the defense, which could result in invalid patents in the market.²⁰³ This damages the patent system and the public at large by giving the holder of an invalid patent the right to prevent others from using what the patent holder had no right to patent. Courts must strike a balance somewhere to prevent parties from withholding information while also keeping frivolous litigation from prolonging patent infringement actions.

Instead of tightening the standard of materiality to reduce any perceived burdens on the court system, one commentator has argued that if the Federal Circuit gives more deference to the district courts’ decisions on inequitable conduct, the burden will lessen on the court system and it will create earlier certainty in a patent’s enforceability.²⁰⁴ Therefore, reducing the burden on the court system should be accomplished by giving more deference to district court decisions on inequitable conduct, and reducing the burden on the court system should be a secondary consideration in determining the standard of materiality.

D. *Conclusion*

The above discussion argues that the doctrine of inequitable conduct is best justified as punishment for an applicant who engages in dishonest activity and not as a tool to encourage applicants to reveal information. The ideal test for materiality may differ based on which purpose the defense of inequitable conduct is trying to serve. Because litigation has the ability to bring out

199. See, e.g., Goldman, *supra* note 1, at 89; Lawrence R. LaPorte et al., *New Rule 56, The Evolving Standard of Disclosure, and Litigation Sanctions Available for Inequitable Conduct*, 669 PRACTISING LAW INST. PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROP. COURSE HANDBOOK SERIES 1163, 1168–69 (2001); Tegtmeyer, *supra* note 152, at 194.

200. *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988) (vacating trial court’s grant of summary judgment for party asserting inequitable conduct where the facts did not show by clear and convincing evidence the patent attorney engaged in inequitable conduct).

201. See Goldman, *supra* note 1, at 89; Tegtmeyer, *supra* note 152, at 194.

202. See Lee, *supra* note 8, at 132; Anderson, *supra* note 3, at 846–47.

203. See Anderson, *supra* note 3, at 867–68.

204. *Id.* at 870.

withheld information, the proper standard of materiality should conform to the purpose of punishing bad behavior on the part of applicants before the PTO. There are some social costs in relying on litigation to bring out withheld information, but these hard-to-quantify social costs are not as high as expected because most valuable patents are litigated early in their life and bad patents with little value are not likely to deter competitors.²⁰⁵ Also, because the Federal Circuit giving greater deference to district court decisions can reduce the burden on the court system, reducing the burden on the courts should be a secondary consideration in determining the standard of materiality.

V. COURTS SHOULD USE THE REASONABLE PATENT EXAMINER STANDARD FOR MATERIALITY

Since, as argued above, the primary purpose of inequitable conduct is to punish applicants for misrepresenting, withholding, or falsifying material information, the test used to determine what information is material should conform to that purpose instead of the purpose of making sure the patent examiner has all necessary information when examining the patent. The courts should use the old Rule 56 subjective test to determine materiality because it is expansive enough to give the doctrine some teeth and it allows the court to make an equitable determination based on all the facts to decide whether or not withheld information is material. Old Rule 56 states: “[I]nformation is material where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.”²⁰⁶ The following sections analyze the shortcomings in the five tests that courts have used to determine materiality and support the conclusion that the Federal Circuit and PTO should adopt the old Rule 56 reasonable examiner standard.

A. “Objective But For” Test

Courts have rejected the “objective but for” test because it is too narrow in its definition of what information is material.²⁰⁷ The Court of Customs and Patent Appeals in *Norton v. Curtiss* stated, “Findings of materiality should not be limited only to those situations where there can be no dispute that the true facts . . . if they had been known, would most likely have prevented the allowance of the particular claims at issue”²⁰⁸ The court reasoned a subjective determination of materiality better fostered the necessary relationship of trust between applicants and the PTO by expanding the types of

205. Allison et al., *supra* note 162, at 460; Lemley, *supra* note 165, at 1531–32.

206. 37 C.F.R. § 1.56 (1977).

207. *See, e.g.*, *Norton v. Curtiss*, 433 F.2d 779, 794–95 (C.C.P.A. 1970).

208. *Id.* at 795.

misconduct for which courts will penalize applicants.²⁰⁹ The court noted that honesty was so vital to the relationship between an applicant and the PTO because the PTO's time constraints and lack of testing facilities force it to rely on applicants to provide complete and accurate information.²¹⁰

Thus, the "objective but for" test does not adequately serve the main purpose of inequitable conduct, to punish dishonest applicants, because the test is too narrow and does not include enough types of information. With this test the doctrine of inequitable conduct would effectively have no teeth. The test also does not help provide the PTO with all information needed to determine patentability because its strict standard does not discourage applicants from withholding information. This test may be the best to keep frivolous inequitable conduct claims from creating a burden on the court system, but as argued above, this should only be a secondary consideration in determining which test courts should use.

B. "Subjective But For" Test

The shortcomings of the "subjective but for" test for materiality are illustrated in the *American Cyanamid* case discussed in Part III.B. above. In its decision, the court stated that the patent examiner did not testify at the original hearing because it would have been against PTO policy.²¹¹ If this test is used to determine materiality there will be cases where the patent examiner is not available to testify. This would make it nearly impossible to ascertain what effect any alleged misrepresentations had on the patent examiner's decision to issue a patent. If the examiner was unavailable, the only way to determine if the alleged misrepresentations had an effect on the examiner's decision would be to look at the file history of the patent, from which it would be very difficult to extrapolate the examiner's state of mind.²¹²

209. *Id.* at 794.

210. *Id.*

211. *American Cyanamid Co. v. Fed. Trade Comm'n*, 363 F.2d 757, 778-79 (6th Cir. 1966); see MPEP, *supra* note 68, at § 1701.01 ("It is the policy of the United States Patent and Trademark Office (USPTO) that its employees, including patent examiners, will not appear as witnesses or give testimony in legal proceedings Any employee who testifies contrary to this policy will be *dismissed or removed*."). The reasons for this policy are set out as follows:

(a) To conserve the time of Department employees for conducting official business; (b) To minimize the possibility of involving the Department in controversial issues that are not related to the Department's mission; (c) To prevent the possibility that the public will misconstrue variances between personal opinions of Department employees and Department policy; (d) To avoid spending the time and money of the United States for private purposes; (e) To preserve the integrity of the administrative process; and (f) To protect confidential, sensitive information and the deliberative process of the Department.

15 C.F.R. § 15.13 (2005).

212. See *Marks v. Polaroid Corp.*, 129 F. Supp. 243, 268 (D. Mass. 1955), *aff'd*, 237 F.2d 428 (1st Cir. 1956) ("But from a broad consideration of the file wrapper of the patent as a whole, I

In terms of the purposes of inequitable conduct, the “subjective but for” test, like the “objective but for” test, does not encompass enough types of withheld information for the doctrine to effectively punish dishonest applicants. The additional factor required to prove inequitable conduct using this test, reliance by the examiner on the applicant’s misrepresentations, makes this test even more impractical than the “objective but for” test. Like the “objective but for” test, this test would discourage alleged infringers from asserting inequitable conduct, but because reducing the burden on the court system is only a secondary consideration, this factor alone should not be controlling.

C. “*But It May Have*” Test

In *SCM Corp. v. Radio Corp. of America*, discussed above in Part III.C., the court noted reasons why the test it formulated for materiality was correct.²¹³ The court reasoned that the objective and subjective “but for” tests fail to discourage an applicant from withholding material information because it is impracticable for a court ruling in an infringement action to determine if the patent in suit would have issued if the applicant had disclosed all material information.²¹⁴

However, the “but it may have” test is highly speculative and gives the court too much latitude in making a determination of materiality.²¹⁵ While this may seem to go along with the equitable nature of inequitable conduct doctrine, it makes it very difficult for patent attorneys and inventors to decide what they must disclose to the PTO. This test would encourage applicants to disclose more material than necessary to make a determination on patentability, which would increase the time needed for the examiner to review the information, making the patent process less efficient.

This test would definitely further the punishment purpose of inequitable conduct doctrine, but it goes too far. Adopting this test for materiality would

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.”).

213. 318 F. Supp. 433, 449–51 (S.D.N.Y. 1970). Later courts named the test the “but it may have” test. *E.g.*, *In re Multidistrict Litig. Involving Frost Patent*, 398 F.Supp. 1353, 1368 (D. Del. 1975).

214. *SCM Corp.*, 318 F. Supp. at 449–50.

Any other rule would fail adequately to discourage conduct of this sort merely because of the circumstance, which must be present in many cases, that it turns out to be impracticable to ascertain what the Examiner, who did not know the true facts, would have done if he had known them.

Id.

215. *Plastic Container Corp. v. Cont’l Plastics*, 607 F.2d 885, 900 (10th Cir. 1979). The court concluded the “but it might have been” test is too speculative and the “subjective but for” test is more practical. *Id.*

strongly encourage alleged infringers to assert inequitable conduct on the hope that a court will find a possibility that withheld information may have had an effect on patentability.

D. Current Rule 56 Objective Test

The PTO promulgated the new Rule 56 standard in order to reduce the amount of inequitable conduct defenses litigated before the Federal Circuit and also to provide greater certainty in the field of inequitable conduct.²¹⁶ The PTO hoped the new rule would result in less inequitable conduct litigation, thus reducing the expenses of litigation for a patent owner.²¹⁷

Several commentators have stated that the Federal Circuit should adopt the new Rule 56 standard in order to provide earlier certainty and greater uniformity in patent actions.²¹⁸ Commentators have also stated that the new standard would help to discourage frivolous claims of inequitable conduct.²¹⁹ However, a more stringent test, such as the new Rule 56 standard, would result in a patent applicant disclosing less information than under a broader standard.²²⁰ The disclosure of less information would give the PTO less information on which to base the decision of whether or not to grant a patent.

Although the new Rule 56 standard appears to help discourage applicants from asserting frivolous claims of inequitable conduct, thus reducing the burden on the court system, adoption of the new standard would give courts less leeway in determining whether or not inequitable conduct occurred based on the specific facts of a case. In this respect the new Rule 56 does not adequately punish dishonest applicants. It is more desirable for the Federal Circuit to keep the old Rule 56 standard in order to give the district courts broad discretion in making determinations on what is material.

E. Old Rule 56 Subjective Test

In the late 1980s the patent bar noted a need to change the law on inequitable conduct because the old Rule 56 test encouraged alleged infringers

216. See Goldman, *supra* note 1, at 95.

[The rule] change recognizes to some degree the unnecessary problems and expenses that are caused when questions of inequitable conduct arise in litigation based on allegedly withheld or misrepresented information not affecting patentability. The standard of materiality under prior Rule 56 was less definite and certain and broader. There was, therefore, more of an opportunity for a defendant to question the patentee[']s conduct before the PTO.

Tegtmeier, *supra* note 152, at 194.

217. Tegtmeier, *supra* note 152, at 194.

218. See, e.g., Lee et al., *supra* note 97, at 633; Anderson, *supra* note 3, at 864–65.

219. See, e.g., Anderson, *supra* note 3, at 865. Anderson reasoned that frivolous claims would be discouraged “because clients would be less inclined to pay for defenses that have no chance of succeeding.” *Id.*

220. See *id.* at 867–68.

to charge patentees with inequitable conduct.²²¹ While the “reasonable patent examiner” test sought to promote candor and fairness, commentators noticed problems with the test such as: (1) it created confusion and uncertainty as to the enforceability of patents, thus encouraging litigants to assert the defense of inequitable conduct, even if the facts did not support the defense, (2) it denied patents to many worthy inventions, (3) it made settlements more difficult, and (4) it diverted attention away from the merits of the case.²²² Commentators also believe that under the old Rule 56 test it is hard for applicants to determine what is required of them in their dealings with the PTO.²²³

Even with these perceived shortcomings in the old Rule 56 reasonable patent examiner test, this test best furthers the main purposes of inequitable conduct. This test does the best job of balancing between being expansive enough to effectively punish dishonest applicants while at the same time not creating a large burden on the court system. If the main purpose of inequitable conduct doctrine is to punish dishonest applicants, then it is most beneficial to have a test for materiality that is expansive enough to give the court more discretion in making an inequitable conduct determination. Under a punishment rationale for inequitable conduct, more discretion is desired because in the circumstance where an applicant has high levels of intent to deceive, but a low level of materiality, a court should find the applicant engaged in inequitable conduct. If the court does not have adequate discretion under the materiality standard however, then the low level of materiality may not rise above the threshold level needed and the court cannot find the applicant engaged in inequitable conduct.

The two main purposes that inequitable conduct doctrine should serve are: (1) punishment and (2) reducing the burden on the court system. The more expansive definitions do a better job at punishing dishonest applicants, while narrower definitions help reduce the burden on the court system and promote the certainty of patents. Organizing the tests along this spectrum from expansive to narrow would look like this: “but it may have”; old Rule 56 reasonable patent examiner; new Rule 56 prima facie patentability; “subjective but for”; and “objective but for.” Because, as argued above in Part IV, the primary purpose of inequitable conduct doctrine is to punish dishonest applicants, a rule that serves that purpose more than the purpose of reducing the burden on the court system is the best choice. Even though the “but it may have” test gives the court more discretion to find materiality in a given circumstance, it is too speculative. Because reducing the burden on the court

221. See Goldman, *supra* note 1, at 88–89.

222. *Id.* at 89; see LaPorte et al., *supra* note 199, at 1168–69.

223. See Goldman, *supra* note 1, at 95; Lee, *supra* note 8, at 132 (“The words ‘important’ and ‘reasonable’ [mean] different things to different judges and juries in different parts of the country . . .”).

system is still a secondary consideration, the “but it may have” test is not the best choice for the materiality standard.

Two of the reasons why the PTO changed Rule 56 in 1992 are: (1) the old Rule 56 made it too difficult for practitioners to realize what was required of them under the standard, and (2) the old Rule 56 standard was too expansive, which encouraged alleged infringers to charge inequitable conduct with every possible piece of related information they could find.²²⁴

In response to the first objection, that practitioners do not know what the PTO expects of them under the old Rule 56, for any rule it will be hard to determine exactly what information the applicant must disclose. It is impossible to draft a rule that can consider every possible type of information for every different scenario. Thus, a rule allowing a court to make an equitable determination on what information is material best serves the policy of punishing dishonest applicants.

In response to the second objection—that the standard is a drag on litigation because it encourages alleged infringers to charge inequitable conduct—the fact that an issue comes before a court frequently is not necessarily a bad thing as long as the rule is best suited to further the policy behind it. There needs to be some punishment for dishonesty before the PTO because of the social implications involved in obtaining the right to exclude. This punishment is best served by an expansive definition of materiality, which allows a court to make decisions on a case-by-case basis.

One commentator on new Rule 56, in an article released a year after the 1992 change in Rule 56, stated that because of the diverse facts that come up in inequitable conduct cases, true uniformity may not be possible, and it is best to leave the standard for inequitable conduct up to the district courts to determine on an equitable basis.²²⁵ In response to the drag on litigation, this commentator asserted that limiting the number of reversals for abuse of discretion is the best way to reduce the number of appeals.²²⁶ The short paragraph in that article effectively sums up the argument here that the Federal Circuit should use the old Rule 56 reasonable patent examiner standard of materiality because it furthers the main purpose of inequitable conduct—punishing dishonest applicants—by giving the court more discretion to determine if withheld information is material.

The standard of materiality will continue to be the old Rule 56 reasonable examiner standard for patents pending before March 16, 1992, and the new Rule 56 standard for patents pending on or filed after March 16, 1992, unless the Federal Circuit decides to adopt a different rule. Administrative change in

224. See *Duty of Disclosure*, 57 Fed. Reg. 2021, 2023 (Jan. 17, 1992); Anderson, *supra* note 3, at 864–65.

225. Goldman, *supra* note 1, at 88.

226. *Id.*

the PTO's Rule 56 is not binding on the court system, but the Federal Circuit has chosen to follow the PTO's Rule 56. The best way to clarify the standard of inequitable conduct and set it in stone would be a statutory change, which is a possibility given that the Patent Reform Act of 2005 garnered significant attention and review while purporting to give statutory guidance to inequitable conduct determinations.²²⁷

VI. CONCLUSION

Clarifying the standard of materiality in inequitable conduct proceedings is important so that patent attorneys and their clients know what the PTO expects of them. There are three primary purposes that the doctrine of inequitable conduct must serve: (1) to punish dishonest applicants, (2) to make sure the examiner has all pertinent information, and (3) to reduce the burden on the court system and promote the certainty of patents. Because the second purpose, making sure the examiner has all pertinent information, can adequately be served by litigation, and the third purpose, reducing the burden on the court system, can be accomplished by the Federal Circuit giving district courts more discretion in their inequitable conduct determinations, the standard of materiality should seek to serve the first purpose of inequitable conduct, punishing dishonest applicants.

Out of the five tests courts have used to determine materiality, the Federal Circuit and PTO should adopt the old Rule 56 reasonable patent examiner standard. This standard is the best balance between punishing dishonest applicants while not creating too much of a burden in the court system. It gives district courts broad discretion to determine if an applicant engaged in inequitable conduct during patent prosecution. District courts need this discretion to make an equitable determination, based on all the facts at hand, on whether or not the applicant engaged in inequitable conduct. If the standard was narrower, then in an instance where an applicant had a high level of intent to deceive (and thus under the punishment rationale a court should find inequitable conduct occurred) and a low level of materiality, the court would be bound by the narrow standard of materiality and would not be able to effectively punish the dishonest applicant.

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227. H.R. 2795, 109th Cong. § 5 (2005).

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