Reforming Inequitable Conduct to Improve Patent Quality: Cleansing Unclean Hands

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Reforming Inequitable Conduct
To Improve Patent Quality:
Cleansing Unclean Hands

By Kevin Mack

Legal scholars have widely criticized the efficacy of the United States patent system.¹ Much of this criticism revolves around the increasing costs associated with patent litigation and the decreasing quality of patents issued by the United States Patent and Trademark Office (PTO).² As an agency within the Department of Commerce, the Patent Office conducts ex parte examinations of patent applications and issues patents after applicants satisfy the statutory requirements for patent protection.³ When the Patent Office inadequately performs its duties, the integrity of the patent system and society suffer: investors rely upon “bad” patents as enforceable economic devices, and the public remunerates royalties to illegitimate patent holders.⁴

During ex parte examination, the Patent Office imposes a duty of candor and good faith on patent applicants.⁵ This duty includes disclosure of information material to the patentability of an invention.⁶ When an applicant violates this duty, an alleged infringer may assert inequitable conduct

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2. For the remainder of this Note, “Patent Office” represents patent operations within the U.S. Patent and Trademark Office.


5. 37 C.F.R. § 1.56(a) (2005).

6. Id.
as an affirmative defense to patent infringement during litigation. A finding of inequitable conduct renders all claims of a patent unenforceable and may adversely affect related patents contaminated by the inequitable conduct.

Budgetary constraints, rapidly evolving fields of technology, and information asymmetries between applicants and patent examiners continue to thwart the Patent Office's efforts to improve patent quality. To address these impediments, the National Academy of Sciences (NAS) and the Federal Trade Commission (FTC) advocated reforms to the patent system. Specifically, both organizations recommended improving the quality of information available to examiners during patent examination. Currently, the duty of candor and good faith defines the quality of information available to examiners. Based on the findings of the NAS and the FTC, Rep. Lamar Smith of Texas proposed legislation that reforms the duty of candor. Commentators are touting this legislation, entitled the Patent Reform Act of 2005, as an overhaul of the patent system.


8. See Lummus Indus., Inc. v. D.M. & E. Corp., 862 F.2d 267, 274 (Fed. Cir. 1988) ("The principle is well settled that if inequitable conduct is established as to any claim, all claims of the patent are rendered unenforceable."); Consol. Aluminum Corp. v. Foseco Int'l Ltd., 910 F.2d 804, 809 (Fed. Cir. 1990) (holding several related patents unenforceable because of inequitable conduct).


11. See FTC REPORT, supra note 10, ch. 5, at 10-13 (discussing a proposal to enhance examiner access to prior art); NAS STUDY, supra note 10, at 87-89 (discussing a proposal to reinvigorate the non-obvious standard by increasing the Patent Office's access to published information regarding common general knowledge).


This Note proposes four modifications to inequitable conduct standards designed to improve the quality of information available to examiners and reduce patent litigation costs. Two proposals address modern inequitable conduct doctrine, and the remaining two proposals address the Patent Reform Act's formulation of inequitable conduct. All proposals are consistent with recent recommendations advanced by the NAS, the FTC, and the American Intellectual Property Law Association (AIPLA).

Part I of this Note outlines the judicial and statutory roots of inequitable conduct, expands upon modern inequitable conduct doctrine, and discusses the efficacy of inequitable conduct as a defense to patent infringement. Part II describes the Patent Reform Act, focusing primarily on its proposed modifications to modern inequitable conduct doctrine and how these modifications will affect patent litigation costs. Part II includes a case study of the Act's ramifications on *Purdue Pharma L.P. v. Endo Pharmaceuticals Inc.*, a recent patent decision involving inequitable conduct. Part III describes the four proposals and expands upon how they may improve the quality of information available to examiners and reduce patent litigation costs. Two proposals comment on modern inequitable conduct doctrine: (1) establish procedures for applicants and third parties to submit relevant information to the Patent Office, including mandating relevancy statements for applicant submitted information and integrating protest and third-party submission procedures for third parties; and (2) award attorney's fees to patent owners when alleged infringers assert but do not prevail on an inequitable conduct defense. The two remaining proposals comment on the Patent Reform Act's formulation of inequitable conduct: (1) impute misconduct committed by registered practitioners to the patent owner; and (2) eliminate the Patent Office's proposed role in inequitable conduct adjudications.

I. BACKGROUND

The mission of the Patent Office is to ensure the patent system contributes to a strong economy, encourages innovation, and fosters entrepreneurial spirit. In pursuit of this mission, the Patent Office examines patent applications and issues patents after applicants satisfy the statutory re-

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16. For the remainder of this Note, the term "registered practitioner" includes all individuals registered to practice before the Patent Office.
requirements for patent protection. Once the Patent Office issues a patent, the patent owner may judicially enforce the rights vested in the patent by filing a patent infringement claim in federal court. An alleged infringer may defend against an infringement claim by asserting that the patent owner failed to comply with his duty of candor and good faith towards the Patent Office during the prosecution of the patent, thereby committing inequitable conduct. Section A outlines the judicial and statutory roots of inequitable conduct, and Section B expands upon modern inequitable conduct doctrine.

A. The History of Inequitable Conduct

The Supreme Court derived the inequitable conduct defense from the equitable doctrine of "unclean hands." Although judicially created, the defense possesses statutory precursors that date back to the origins of the patent system in the United States. Each patent statute prior to the Patent Act of 1952 established a private remedy for inequitably procured patents. Notwithstanding this statutory authorization, courts were reluctant to recognize inequitable conduct as a defense to patent infringement until 1945.

1. Judicial Reluctance to Recognize Inequitable Conduct as a Defense to Patent Infringement

Before 1945 courts generally refused to dismiss a patent infringement claim because of inequitable conduct. For example, in Providence Rubber Co. v. Goodyear, the defendant, as a defense to patent infringement, alleged that the plaintiff fraudulently obtained a term extension for a pat-

19. Inequitable conduct is often equated with "fraudulent procurement" or "fraud in the PTO." See Am. Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1362-63 (Fed. Cir. 1984). This Note uses "inequitable conduct" to encompass any violation of the duty of candor and good faith codified in 37 C.F.R. § 1.56 (2005).
20. The doctrine of unclean hands denies equitable relief to a party that has acted fraudulently or in bad faith. See JOHN NORTON POMEROY & SPENCER W. SYMONS, A TREATISE ON EQUITY JURISPRUDENCE §§ 397, 398 (Spencer W. Symons ed., 5th ed., 1941).
23. Id. at 38.
24. 76 U.S. (9 Wall.) 788 (1869).
ent. The Supreme Court pronounced that "fraud must appear on the face of the patent to render it void in a court of law" and refused to consider the alleged misconduct. Thus, the Supreme Court declared that a court may not dismiss an infringement claim because of misconduct extrinsic to the patent.

District courts consistently adhered to the Supreme Court's proclamation in *Goodyear*. During the 1930s and early 1940s, however, courts slowly began to recognize the inequitable conduct defense. For example, in *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, the plaintiff concocted a trade journal publication to overcome the Patent Office's opposition to a patent. The defendant, as a defense to patent infringement, proved that the plaintiff "deliberately planned and carefully executed [a] scheme" to defraud the Patent Office. Although the majority recognized the plaintiff's misconduct as a defense to patent infringement, Justice Roberts adhered to the longstanding limits of inequitable conduct. Specifically, Justice Roberts concluded that the proper procedure to address such misconduct was for the government, and not the defendant, to nullify the plaintiff's patent. Indeed, since 1888 the Supreme Court had repeatedly confirmed the government's standing to cancel a fraudulently procured patent.

25. *Id.* at 790.
26. *Id.* at 797.
29. 322 U.S. 238 (1944).
30. *Id.* at 240-41.
31. *Id.* at 245.
32. *Id.* at 250-51 ("The total effect of all this fraud, practiced both on the Patent Office and the courts, calls for nothing less than a complete denial of relief to Hartford for the claimed infringement of the patent thereby procured and enforced.").
33. *Id.* at 251-54 (Roberts, J., dissenting).
34. *See id.* at 251-52 (Roberts, J., dissenting).
2. *Genesis of the Inequitable Conduct Defense*

In 1945 the reluctance of courts to recognize the inequitable conduct defense subsided when the Supreme Court explicitly derived the inequitable conduct defense from the equitable doctrine of unclean hands. The doctrine of unclean hands denies a party equitable relief when there is evidence of bad faith. The Supreme Court reasoned that, when the public interest is at stake, the doctrine of unclean hands is of great significance because of the potential injury to the public. This potential injury includes the grant of monopoly rights to illegitimate patent holders. When applying the doctrine of unclean hands to patent cases, the Supreme Court recognized that "[a] patent by its very nature is affected with a public interest." Because of the inequitable conduct committed during the procurement of the plaintiff’s patent, the Supreme Court upheld the district court’s finding dismissing the plaintiff’s patent claims under the doctrine of unclean hands. Thus, the Supreme Court pronounced that inequitable conduct committed during the procurement of a patent may be a defense to patent infringement, officially commencing the inequitable conduct defense.

B. *Modern Inequitable Conduct Doctrine*

The Patent Office imposes a duty of candor and good faith on every individual associated with the filing and prosecution of a patent application. This duty extends to the patent applicant and his representatives, such as attorneys and patent agents that assist in the prosecution or preparation of the patent. A breach of this duty constitutes inequitable conduct when an affirmative misrepresentation of a material fact, failure to disclose material information, or submission of false material information couples with intent to deceive or mislead the Patent Office.

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37. POMEROY & SYMONS, supra note 20, at 91.
38. Precision Instrument, 324 U.S. at 815-16.
39. Id. at 816.
40. Id. The Federal Regulations still codify this landmark recognition. 37 C.F.R. § 1.56(a) (2005).
41. See Precision Instrument, 324 U.S. at 819-20.
42. See 37 C.F.R. § 1.56(a); Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc., 326 F.3d 1226, 1233 (Fed. Cir. 2003).
43. 37 C.F.R. § 1.56(c); Molins PLC v. Textron, Inc., 48 F.3d at 1178 n.6 (Fed. Cir. 1995); FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1415 n.8 (Fed. Cir. 1987).
44. Molins, 48 F.3d at 1178.
Because courts presume a patent is valid, a party seeking to render a patent unenforceable due to inequitable conduct must prove both materiality and intent by clear and convincing evidence. Once threshold findings of materiality and intent are established, the court balances the materiality of the information with the intent of the accused to determine if the equities warrant a conclusion of inequitable conduct. A finding of inequitable conduct renders all claims of the patent unenforceable and may adversely affect related patents contaminated by the inequitable conduct.

1. Materiality

The first prong of the test for inequitable conduct requires that the information either submitted to or withheld from the Patent Office be material to patentability. When evaluating materiality, the Court of Appeals for the Federal Circuit has consistently referred to the standard set forth in 37 C.F.R. § 1.56 ("Rule 56") regarding the duty of disclosure. Rule 56 "is the appropriate starting point because it is the broadest and because it most closely aligns with how one ought to conduct business with the PTO." In 1977 the Patent Office promulgated Rule 56 as an affirmative duty of disclosure. Under the Rule, information was material to patentability when there was a "substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent." The Patent Office derived this "reasonable examiner" definition of materiality from the Supreme Court's interpretation of material-
ity in securities fraud.\(^{54}\) The Patent Office intended for this rule to stabilize decisions in the Patent Office and aid those who were not experts in the legal doctrine of fraud.\(^{55}\) The Patent Office "strongly encouraged" applicants to submit prior art statements during patent procurement as a mechanism to comply with this newly formulated duty.\(^{56}\)

In 1992 the Patent Office amended the definition of materiality. The amended definition applies to all applications pending or filed after March 16, 1992.\(^{57}\) In accordance with the amendment, information is material to patentability when:

1. It establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or
2. It refutes, or is inconsistent with, a position the applicant takes in:
   1. Opposing an argument of unpatentability relied on by the Office, or
   2. Asserting an argument of patentability.\(^{58}\)

Conversely, information that is merely duplicative or cumulative of information already presented to the Patent Office is not material.\(^{59}\) The Patent Office designed this new formulation to provide a more objective definition of materiality\(^{60}\) and to strike a balance between the needs of the applicant and the Patent Office.\(^{61}\) Although this "prima facie" standard of materiality replaced the "reasonable examiner" standard, the Federal Circuit recently stated that the revised rule "was not intended to constitute a significant substantive break with the previous standard."\(^{62}\) The Federal Cir-

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\(^{54}\) 42 Fed. Reg. 5589 (Jan. 27, 1977); TSC Indus. v. Northway, 426 U.S. 438, 449 (1976) ("An omitted fact is material if there is a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote.").


\(^{56}\) Id. at 5590. In 1992, the Patent Office replaced prior art statements with information disclosure statements to clarify the duty of disclosure as encompassing all information material to patentability, regardless of whether the information constitutes prior art. 57 Fed. Reg. 2022 (Jan. 17, 1992).


\(^{58}\) 37 C.F.R. § 1.56(b) (2005).

\(^{59}\) See id.; J.P. Stevens & Co. v. Lex Tex Ltd., 747 F.2d 1553, 1559-60 (Fed. Cir. 1984).


\(^{61}\) Id. at 2021.

\(^{62}\) Hoffman-La Roche, Inc. v. Promega Corp., 323 F.3d 1354, 1368 n.2 (Fed. Cir. 2003).
cuit recently explained that a litigant may establish materiality under either standard, as well as three older standards.\textsuperscript{63}

2. \textit{Intent to Deceive or Mislead}

The second prong of the test for inequitable conduct requires intent to deceive or mislead the Patent Office. A litigant does not need to prove the intent of the accused by direct evidence; inferential evidence of the circumstances surrounding the alleged inequitable conduct will suffice.\textsuperscript{64} Indeed, "direct proof of wrongful intent is rarely available" in equitable conduct proceedings.\textsuperscript{65} Moreover, the subjective good faith of the accused is only one factor to consider when balancing materiality and intent. If the information involved is highly material to patentability, the level of intent required to sustain an inequitable conduct finding is proportionally less.\textsuperscript{66}

The Federal Circuit has therefore advocated that the requisite standard of culpability for inequitable conduct is interrelated with the degree of materiality of the omitted or misrepresented information.\textsuperscript{67}

3. \textit{Frequency with which the Inequitable Conduct Defense is Pled}

In 2004 the Patent Office received over 380,000 patent applications and granted over 180,000 patents.\textsuperscript{68} During patent litigation, accused infringers pled inequitable conduct as a defense to patent infringement so frequently that the Federal Circuit repeatedly denounced its overuse.\textsuperscript{69}

\begin{itemize}
\item \textsuperscript{63} Digital Control Inc., v. The Charles Mach. Works, No. 05-1128, 2006 U.S. App. LEXIS 2991, at *18 (Fed. Cir. Feb. 8, 2006). The three older standards are the objective "but for" standard, the subjective "but for" standard, and the "but it may have" standard. \textit{Id.} at *14.
\item \textsuperscript{64} See \textit{Baxter Int'l, Inc. v. McGaw, Inc.}, 149 F.3d 1321, 1329 (Fed. Cir. 1998); \textit{LaBounty Mfg., Inc. v. USITC}, 958 F.2d 1066, 1076 (Fed. Cir. 1992).
\item \textsuperscript{65} \textit{LaBounty Mfg.}, 958 F.2d at 1076.
\item \textsuperscript{66} See \textit{Am. Hoist & Derrick}, 725 F.2d at 1363.
\item \textsuperscript{67} 6 \textit{CHISUM, supra} note 7, § 19.03[3] & n.12 ("The Federal Circuit has stated that the appropriate standard of materiality is interrelated with the question of the degree of culpability.").
\item \textsuperscript{68} U.S. PATENT AND TRADEMARK OFFICE, U.S. PATENT STATISTICS REPORT (2004).
\item \textsuperscript{69} See Multiform Desiccants, Inc. v. Medzam Ltd., 133 F.3d 1473, 1482 (Fed. Cir. 1998); Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988); Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 1454 (Fed. Cir. 1984).
\end{itemize}
Table 1: Patent Decisions Involving Inequitable Conduct

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Number of Patent Cases</th>
<th>Number of Cases Patentee Prevailed</th>
<th>Number of Cases Alleged Infringer Prevailed</th>
<th>% of Decisions with Inequitable Conduct Determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>104</td>
<td>15</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>2001</td>
<td>161</td>
<td>23</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>2002</td>
<td>234</td>
<td>26</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>2003</td>
<td>208</td>
<td>22</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>2004</td>
<td>127</td>
<td>29</td>
<td>15</td>
<td>35</td>
</tr>
</tbody>
</table>

Accused infringers, however, continue to plead the defense with regularity. Table 1 illustrates this regularity; from 2000 to 2004, an inequitable conduct adjudication appeared in 16% to 35% of all reported patent opinions. Because the vast majority of patent cases settle before trial or resolve during summary judgment on issues other than inequitable conduct, it can be inferred that the percent of patent cases in which a litigant plead inequitable conduct is substantially higher than these figures.

II. THE NEED FOR REFORM: THE PATENT REFORM ACT OF 2005

In 1984 Judge Giles Rich proclaimed that the inequitable conduct defense “has been overplayed, is appearing in nearly every patent suit, and is cluttering up the patent system.” Four years later, Judge Philip Nichols pronounced that “the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.” The Federal Circuit’s ostensible hostility towards the inequitable conduct doctrine stems from its perceived effects: defendants employ inequitable conduct as a magic incantation against patentees, diverting the court’s attention away from the


71. The opinions represent all reported patent decisions, including those affirmations by the Federal Circuit under Rule 36 with no published opinion and those decided by the International Trade Commission and the Court of Federal Claims.


73. Kimberly-Clark, 745 F.2d at 1454.

74. Burlington, 849 F.2d at 1422.
statutory requirements of patent protection.\textsuperscript{75} The Federal Circuit’s longstanding hostility towards inequitable conduct sparked a series of proposals for its reform from the NAS, FTC, and AIPLA.\textsuperscript{76}

On June 8, 2005, Rep. Lamar Smith introduced the Patent Reform Act of 2005.\textsuperscript{77} The bill is a wide-ranging reform package relating to the procurement, enforcement, and validity of patents.\textsuperscript{78} Specifically, the bill proposes a number of procedural and substantive changes to the duty of candor and good faith presently codified in 37 C.F.R. § 1.56. In general, the Patent Reform Act substantially increases the barriers to successfully pleading inequitable conduct as a defense to patent infringement and, in some cases, reduces the penalties for the commission of inequitable conduct.\textsuperscript{79} Thus, the Act cleanses the hands of some who would possess unclean hands under modern inequitable conduct doctrine.

This Part discusses the Act’s proposed modifications to modern inequitable conduct and expands upon how these modifications will affect patent litigation costs. As an illustration of its anticipated effects, this Part also discusses the Act’s ramifications on \textit{Purdue Pharma L.P. v. Endo Pharmaceuticals Inc.},\textsuperscript{80} a recent patent decision involving inequitable conduct.

\textbf{A. A Heightened Culpability Requirement}

The Patent Reform Act, like current rules and regulations, imposes a duty of candor and good faith on individuals associated with the filing or prosecution of a patent application.\textsuperscript{81} Under the Act, an individual is in violation of this duty when:

\begin{enumerate}
\item the individual knowingly failed to disclose information or knowingly misrepresented information;
\end{enumerate}


\textsuperscript{76} See FTC REPORT, supra note 10; NAS STUDY, supra note 10; Committee Position Paper, \textit{supra} note 75.

\textsuperscript{77} H.R. 2795, 109th Cong. (2005).

\textsuperscript{78} Id.

\textsuperscript{79} Id.

\textsuperscript{80} 70 U.S.P.Q.2d 1185 (S.D.N.Y. 2004), aff'd, 410 F.3d 690 (Fed. Cir. 2005).

\textsuperscript{81} See 37 C.F.R. § 1.56(a) (2005); Amendment in the Nature of a Substitute to H.R. 2795, 109th Cong. § 5(a) (2005).
(2) the information not disclosed was material or, in the case of a misrepresentation, the misrepresentation was material;
(3) the individual had knowledge of the materiality of the information not disclosed or, in the case of a misrepresentation, had knowledge of the materiality of the misrepresentation; and
(4) the individual's intent was to deceive or mislead.\textsuperscript{82}

Accordingly, the basic elements of modern inequitable conduct—materiality and intent—remain under the proposed legislation.

The Act, however, departs from the Federal Circuit's standard of culpability for inequitable conduct. Presently, the Federal Circuit employs a standard of culpability interrelated with the degree of materiality of the misrepresented or omitted information.\textsuperscript{83} The Patent Reform Act proposes a knowledge requirement substantially higher than the current standard.\textsuperscript{84} Thus, the subjective good faith of the accused would be dispositive of intent under the Act.\textsuperscript{85}

The Act's heightened culpability requirement also substantially increases an alleged infringer's evidentiary burden when asserting inequitable conduct. Pursuant to the Act, the patent owner must \textit{knowingly} fail to disclose or misrepresent information.\textsuperscript{86} This heightened requirement will deter alleged infringers from frivolously asserting the defense in court unless substantial evidence exists to satisfy the requirement. Since direct proof of wrongful intent is rarely available in inequitable conduct proceedings,\textsuperscript{87} this heightened requirement should drastically reduce the number of parties claiming inequitable conduct as a defense to patent infringement. By cleansing the hands of those who would be liable for inequitable conduct under modern inequitable conduct doctrine, the Act should reduce overall costs associated with patent litigation.

\begin{footnotesize}
\begin{itemize}
  \item \textsuperscript{82} Amendment in the Nature of a Substitute to H.R. 2795, 109th Cong. § 5(a) (2005).
  \item \textsuperscript{83} Am. Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1363 (Fed. Cir. 1984).
  \item \textsuperscript{84} Compare Amendment in the Nature of a Substitute to H.R. 2795, 109th Cong. § 5(a) (2005), with 37 C.F.R. § 1.56 (2005).
  \item \textsuperscript{85} Contra Am. Hoist & Derrick, 725 F.2d at 1363.
  \item \textsuperscript{86} See Amendment in the Nature of a Substitute to H.R. 2795, 109th Cong. § 5(a) (2005).
  \item \textsuperscript{87} See Baxter, 149 F.3d at 1329; LaBounty, 958 F.2d at 1076.
\end{itemize}
\end{footnotesize}
B. The Patent Office’s Proposed Role as a Limited Investigatory Body

Under the Patent Reform Act, no state or federal court could adjudicate, or even investigate, a claim of misconduct unless specifically provided for by the Act. The Act designates the Patent Office as the sole agency for investigating all alleged fraud or misconduct claims committed in any proceeding before the Patent Office unless the Act permits a party to plead the inequitable conduct defense in court. In addition, the Act specifically provides a mechanism for courts to refer possible misconduct to the Patent Office when a party is not pleading inequitable conduct as a defense.

Under the Act, a “special office” within the Patent Office would be responsible for conducting investigations into inequitable conduct and receiving referrals from state and federal courts. After probable cause of inequitable conduct is established, the “special office” may impose remedies under 35 U.S.C. § 32, such as the suspension and exclusion of registered practitioners from practice before the Patent Office. The Patent Reform Act, however, does not explicitly authorize the Patent Office to render patents unenforceable because of inequitable conduct; the “special office” is primarily limited to reprimanding registered practitioners who have committed misconduct as defined by the Act. To render a patent unenforceable, a party must plead inequitable conduct in court and succeed on their inequitable conduct claim. Because the Patent Office’s role is primarily limited to sanctioning registered practitioners under the Patent Reform Act, Part III of this Note proposes eliminating this section of the Act to alleviate the burden on the Patent Office.

C. The Judiciary’s Proposed Role as the Dominant Investigatory Body

Pursuant to the Patent Reform Act, a court may render a patent unenforceable only after a party successfully pleads inequitable conduct and satisfies the requirements for unenforceability. Specifically, a party seek-
ing to plead inequitable conduct must file a motion to amend the pleadings, and the court will only grant the motion if:

(A) the validity of one or more claims in the patent is at issue in the action;
(B) the court has previously entered a judgment in the action that a claim in the patent is invalid;
(C) the motion to amend the pleadings is brought by a party to the action adverse to the patent owner within 3 months after a judgment is entered by the court invalidating the claim; and
(D) the motion sets out with particularity a substantial basis for findings that—
   (i) because of the reliance of the Office on the misconduct, fraud took place in a proceeding before the Office involving the patent or in connection with the filing or examination of the application for patent, and as a result at least 1 claim in the patent invalidated in the action was issued as a result of the reliance on the misconduct; and
   (ii) the alleged fraud is attributable to the patent owner.  

Contained within this section of the Act are at least two substantive changes to modern inequitable conduct doctrine. First, a court must declare at least one claim of a patent invalid before an alleged infringer can plead the inequitable conduct defense in court. Presently, a finding of invalidity is not a requisite for pleading inequitable conduct. Second, the Act reduces the remedies available for inequitable conduct. Specifically, unlike under the law today, a court would not be able to render related patents unenforceable solely because inequitable conduct contaminates them. Requiring a finding of invalidity before a litigant may plead inequitable conduct and reducing available remedies for the commission of inequitable conduct should deter alleged infringers, at least in some cases, from seeking a judicial remedy, thereby reducing patent litigation costs.

D. Liability of the Patent Owner for the Misconduct of Others

The Patent Reform Act also shields patent owners from the misconduct of patent attorneys and patent agents who represent the patent owner during the prosecution of the patent. Specifically, the Act does not impute...
the misconduct of those "registered to practice before the Office and acting in a representative capacity before the Office" to the patent owner.\footnote{98} This provision will markedly change the current law, which imputes the misconduct of the patent applicant's representatives to the patent owner.\footnote{99}

The Act does impute the misconduct of unregistered practitioners to the patent owner. Specifically, if an individual who is not registered to practice before the Office acts on the patent owner's behalf, the court may impute the individual's misconduct to the patent owner.\footnote{100} By not imputing the misconduct of registered practitioners, the Act may likely reduce the frequency of inequitable claims, especially those in which only registered practitioners allegedly commit the misconduct, and reduce litigation costs. Nevertheless, Part III of this Note proposes modifications to this section of the Act designed to treat registered and unregistered practitioners equally.

E. Examiner Reliance Necessary to Establish Inequitable Conduct

Pursuant to the Patent Reform Act, misconduct is insufficient to support a finding of inequitable conduct unless the examiner relied upon the misconduct. A litigant may establish reliance by showing that the examiner

(i) would not have issued the invalidated claim, acting reasonably, in the absence of the misconduct; or

(ii) based upon the prosecution history as a whole objectively considered, would have done so based upon in whole or in part on account of the misconduct.\footnote{101}

Examiner reliance is another substantive change from modern inequitable conduct doctrine proposed by the Act.\footnote{102}

Working together, the requirements of one invalid claim and examiner reliance create an inequitable conduct standard similar to the "but for" standard proposed by the AIPLA Ad Hoc Committee on Rule 56 and Inequitable Conduct in 1988.\footnote{103} Under the "but for" standard, information is material only if "one or more claims of the patent should not have issued

\footnote{98}{See Amendment in the Nature of a Substitute to H.R. 2795, 109th Cong. § 5(a) (2005).}
\footnote{99}{See FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1415 n.8 (Fed. Cir. 1987).}
\footnote{100}{See Amendment in the Nature of a Substitute to H.R. 2795, 109th Cong. § 5(a) (2005).}
\footnote{101}{Id.}
\footnote{102}{Compare id., with 37 C.F.R. § 1.56 (2005).}
\footnote{103}{See Committee Position Paper, supra note 75, at 79-81.}
The Committee found that frequent charges of inequitable conduct have a detrimental effect on the patent system. In particular, allegations of inequitable conduct render settlement more difficult by increasing hostility between parties. The Patent Reform Act addresses these concerns by substantially increasing the barriers associated with pleading inequitable conduct as a defense to patent infringement. The net effect of these barriers should reduce the number of parties asserting the inequitable conduct defense and decrease expected patent litigation costs.

F. Case Study: Purdue Pharma L.P. v. Endo Pharmaceuticals Inc.

This Section presents a study of the Patent Reform Act’s ramifications on Purdue Pharma L.P. v. Endo Pharmaceuticals Inc., a recent patent decision involving inequitable conduct. This Section outlines the procedural and substantive background of the case, then comments on how the outcome of the case would change under the Patent Reform Act.

1. Background

On May 18, 1999, Purdue Pharma L.P., The Purdue Frederick Company, The P.F. Laboratories, Inc., and The Purdue Pharma Company (collectively, “Purdue”) sued Endo Pharmaceuticals Inc. and Endo Pharmaceuticals Holdings Inc. (collectively, “Endo”) for patent infringement in the United States District Court for the Southern District of New York. Purdue asserted that Endo was infringing three of Purdue’s patents directed to a product and process for relieving moderate to severe pain.

The district court held that Purdue committed inequitable conduct through a “clear pattern of intentional misrepresentation” during the prosecution of the asserted patents, thereby providing Endo with a defense to the infringement claim. In particular, the court examined the specifications of each asserted patent, which contained the following passage:

It has now been surprisingly discovered that the presently claimed controlled release oxycodone formulations acceptably

104. Id. at 85.
105. Id. at 75.
107. Id.
109. Id. at 1208.
control pain over a substantially narrower, approximately four-fold [range] (10 to 40 mg every 12 hours-around-the-clock dosing) in approximately 90% of patients. This is in sharp contrast to the approximately eight-fold range required for approximately 90% of patients for opioid analgesics in general.\textsuperscript{110}

Moreover, one of the named inventors submitted a declaration emphasizing the four-fold dosage range as a patentable aspect of the invention.\textsuperscript{111} Before the district court it was undisputed that Purdue had no clinical evidence or scientific proof during the prosecution of the patents supporting a four-fold dosage range for oxycodone.\textsuperscript{112} Based in part on the Manual of Patent Examining Procedure (MPEP), which states that "[n]o results should be represented as actual results unless they have actually been achieved" and "[p]aper or prophetic examples should not be described using the past tense,"\textsuperscript{113} the district court found that Purdue misled the PTO in believing that the four-fold dosage range was a scientific certainty based on clinical studies.\textsuperscript{114} The court further concluded that the dosage range was an essential element of the claims and material to patentability.\textsuperscript{115}

The district court viewed Purdue’s claim of good faith with skepticism.\textsuperscript{116} At no time during the prosecution of the patents in suit did Purdue possess a procedure for proving the four-fold dosage range. In addition, documents created by Purdue contemporaneously with the prosecution of the patent further reduced the credibility of Purdue’s good faith. Numerous internal memoranda stated that the four-fold range was “theoretical” and “difficult to demonstrate.”\textsuperscript{117}

After weighing the materiality of the information with Purdue’s intent, the district court found that Purdue was so culpable as to create a finding of inequitable conduct and rendered all three of the asserted patents unen-

\begin{footnotes}
\footnote{111. Purdue Pharma, 70 U.S.P.Q.2d at 1196.}
\footnote{112. Id. at 1205.}
\footnote{113. U.S. PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 2004 ¶ 8 (8th ed. 2001) [hereinafter MPEP], available at http://www.uspto.gov/web/offices/pac/mpep/mpep.htm; see also id. ("[S]tating that an experiment ‘was run’ or ‘was conducted’ when in fact the experiment was not run or conducted is a mis-representation of the facts.").}
\footnote{114. Purdue Pharma, 70 U.S.P.Q.2d at 1205-06.}
\footnote{115. Id. at 1206.}
\footnote{116. Id. at 1206-07.}
\footnote{117. Id. at 1207.}
\end{footnotes}
The district court reasoned that Purdue had repeatedly asserted its discovery to the PTO in "precise, quantified, and past-tense language." Although the Court affirmed the validity of the patent claims, these repeated material misrepresentations warranted the finding of inequitable conduct.

Purdue appealed the district court's decision to the Federal Circuit, which affirmed the district court's inequitable conduct determination. Specifically, the Federal Circuit found that the language used by Purdue in the patents and during the prosecution of the patents clearly implied that clinical studies were the basis for a four-fold dosage range. The Federal Circuit also agreed with the district court that this information was material to patentability and Purdue possessed the requisite intent for a finding of inequitable conduct.

2. Analysis of Case under the Patent Reform Act

If the Patent Reform Act becomes law, courts would be unable to render Purdue's patents invalid, or otherwise punish Purdue, for its deceptive practices toward the Patent Office. In general, the provisions of the Patent Reform Act would benefit Purdue in three respects.

First, because the court found Purdue's claims to be valid, courts would not permit Endo to plead the defense of inequitable conduct. Under the Act, a party may not plead inequitable conduct for a patent unless a court has invalidated at least one claim in the patent.

Second, the court in *Purdue Pharma* declared several related patents unenforceable. Under the Act, such a remedy is only available when a litigant establishes misconduct for each patent and the examiner relied upon this misconduct. Accordingly, a court would not render Purdue's related patents unenforceable unless Endo established misconduct for each patent. Because misconduct requires a court to invalidate at least one claim of a

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118. *Id.* at 1208-09.
119. *Id.* at 1208.
120. *Id.* at 1208-09.
122. *Id.* at 698.
125. See id.
patent and the district court upheld the validity of the claims, Endo would not prevail under the Act on an inequitable conduct claim.

Third, courts would not impute the misconduct of registered practitioners to the patent owner when evaluating potential misconduct. By contrast, in Purdue Pharma the court attributed all actions of Purdue’s patent attorney to the patent owner, in accordance with modern inequitable conduct doctrine.\textsuperscript{126} Under the Act, courts would differentiate the actions of registered and unregistered practitioners to determine which actions are properly attributable to the patent owner. For example, the court would presumably attribute the submission of the declaration by an inventor to Purdue, the patent owner, because the inventor is subject to the duty of candor and good faith with respect to the patent, is not likely registered to practice before the Office, and was acting on Purdue’s behalf.\textsuperscript{127} The court, however, would not attribute to Purdue the acts that their patent attorney committed.

Although courts would be unable to sanction Purdue or its representatives under the Act, the Patent Office could discipline the practitioners who represented Purdue during the prosecution of the disputed patent applications. The Patent Reform Act does not purport to modify Patent Office proceedings that discipline practitioners who engage in conduct involving dishonesty, fraud, deceit, or misrepresentation.\textsuperscript{128} Sanctioning practitioners in such proceedings, however, is difficult—if not impossible—in cases like Purdue Pharma because the Director must prove the misconduct by clear and convincing evidence.\textsuperscript{129} Thus, if the provisions of the Patent Reform Act are adopted, it is unlikely that the either the Patent Office or the courts would sanction Purdue or its representatives under the provision of the Act or current disciplinary proceeding, thereby failing to deter Purdue’s misconduct. Part III of this Note recommends modifications to the Patent Reform Act that allow the misconduct of practitioners to be imputed to the patent owner, thereby increasing the likelihood of effectively sanctioning those who engage in deceptive practices toward the Patent Office.

\textsuperscript{126} See FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1415 n.8 (Fed. Cir. 1987).
\textsuperscript{127} See Amendment in the Nature of a Substitute to H.R. 2795, 109th Cong. § 5(a) (2005).
\textsuperscript{129} See id. § 10.149.
III. PROPOSALS TO REFORM INEQUITABLE CONDUCT

The following proposals either enhance modern inequitable conduct doctrine or improve the Patent Reform Act's formulation of inequitable conduct. Each suggestion addresses at least one of three objectives.

First, the primary goal of the proposals is to improve the quality of information available to examiners. Improving the quality of information improves the integrity of examination, thereby improving the quality of patents issued by the Patent Office.130 As Former Assistant Commissioner Rene Tegtmeyer discussed, the Patent Office considers improving the quality of information available to examiners a primary goal of the inequitable conduct doctrine.131 According to the Assistant Commissioner, the doctrine assures that examiners consider material information during patent examination, facilitates the disclosure of material information in a prompt and complete manner, and discourages the disclosure of large amounts of immaterial information.132 Thus, improving the quality of information available to examiners is a central component of the inequitable conduct doctrine.

Second, the proposals aim to reduce patent litigation costs. The NAS and the FTC have expressed concerns over the skyrocketing costs associated with patent litigation.133 Through discovery each party incurs between $350,000 and $3 million in legal fees.134 Furthermore, the total cost of a patent infringement suit through appeal ranges from between $650,000 and approximately $4.5 million in legal fees.135 These high expenses reflect the needless complexity of many patent cases resulting from the uncritical use of procedural tactics. In addition, because inequitable conduct

130. Kesan, supra note 9, at 768-70.
132. Id.
133. See FTC REPORT, supra note 10, ch. 1 at 33; NAS STUDY, supra note 10, at 2.
134. AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 2005, at 108-10 [hereinafter AIPLA SURVEY]. Costs per party varied with the amount at stake. The median cost of litigation at the end of discovery with less than $1 million at stake was $350,000. Id. at 108. The median cost of litigation at the end of discovery with $1 million to $25 million at stake was $1.25 million. Id. at 109. The median cost of litigation at the end of discovery with more than $25 million at stake was $3 million. Id. at 110.
135. Id. at 108-10. Inclusive costs per party varied with the amount at stake. The median cost of litigation through appeal with less than $1 million at stake was $650,000. Id. at 108. The median cost of litigation through appeal with $1 million to $25 million at stake was $2 million. Id. at 109. The median cost of litigation through appeal with more than $25 million at stake was $4.5 million. Id. at 110.
determinations require examination into subjective elements, such as intent of the accused, it can be inferred that a small, but significant percentage of total litigation costs are spent litigating issues related to inequitable conduct. An ideal reform to inequitable conduct should aim to reduce these expenses, thereby reducing the financial burden placed on the litigants in a patent infringement suit.

Third, the proposals aim to maintain or reduce the current burden on the Patent Office. During the 2004 fiscal year, the Patent Office earned approximately $1.07 billion in revenue and spent approximately $1.15 billion. The Patent Office derives a majority of this revenue from fees that it collected during the year, including maintenance fees, filing fees, and issue fees. The majority of the Patent Office’s expenditures were costs associated with personnel and examination of patent applications. By focusing the Patent Office’s available resources on the recruitment and training of qualified personnel, the Patent Office can reduce the burden on patent applicants and increase the quality of patent examination. Assistant Commissioner Tegtmeyer reiterated this point when elaborating on the Patent Office’s views of the inequitable conduct doctrine. Specifically, the Assistant Commissioner acknowledged the findings of the Court of Customs and Patents Appeals, which concluded that the Patent Office “must rely on applicants for many of the facts upon which its decisions are based” and faces a “tremendous burden.” Reducing this burden is therefore consistent with the Patent Office’s views on inequitable conduct.

A. Proposals to Improve Modern Inequitable Conduct Doctrine

1. Create Procedures and Incentives for the Applicant and Competitors of the Applicant to Submit Information Relevant to Patentability

The Patent Office continually strives to increase the quality of issued patents. As previously mentioned, improving the quality of information available to examiners during patent examination improves the quality of patents issued by the Patent Office. Improving the quality of information available to examiners, however, entails more than simply increasing the

136. NAS STUDY, supra note 10, at 117.
137. PTO’S 21ST CENTURY STRATEGIC PLAN, supra note 17, at 62, 64.
138. PTO’S 21ST CENTURY STRATEGIC PLAN, supra note 17, at 62.
139. PTO’S 21ST CENTURY STRATEGIC PLAN, supra note 17, at 64.
140. NAS STUDY, supra note 10, at 103-05.
141. See Tegtmeyer, supra note 131, at 88.
143. See PTO’S 21ST CENTURY STRATEGIC PLAN, supra note 17, at 4.
quantity of information disclosed by applicants. Applicants presently in-
undate the Patent Office with information, only a fraction of which is ma-
terial to patentability.144 “Burying” the Patent Office with irrelevant in-
formation decreases the overall quality of information associated with a
particular patent application.145 Accordingly, the Patent Office should im-
plement procedures designed to increase the quality, not necessarily the
quantity, of information disclosed. By carefully creating incentives and
procedures for those who are in possession of such information, the Patent
Office can improve patent quality.

At least two groups of individuals readily know information material
to the patentability of an invention: the applicant and the applicant’s com-
petitors in the industry. The applicant, presumably an individual of ordi-
nary skill in the art, is influenced by and aware of teachings in the art.146
Competitors of the applicant are in a comparable position—they produce
or anticipate producing technology that may be relevant to the patentabil-
ity of the applicant’s pending patent applications. Accordingly, the Patent
Office should carefully promulgate procedures and provide incentives for
both parties to disclose relevant information. Below, Section III.A.1.a de-
scribes a procedure and incentive system for applicants to disclose rele-
vant information to the Patent Office, whereas Section III.A.1.b outlines a
procedure for third parties, including competitors of an applicant.

a) Mechanism for Applicants: Relevancy Statements

Relevancy statements are one mechanism to increase the quality of ap-
plicant-submitted information.147 Under such a mechanism, an applicant
either prioritizes information disclosed to the Patent Office or includes a
brief statement of the relevancy of the information.148 Although the effi-
cacy of relevancy statements is likely dependent upon the precise imple-
mentation chosen by the Patent Office, the statements address the informa-
tion asymmetry between examiners and applicants. Accordingly, such
statements, if implemented effectively, will improve the quality of informa-
tion available to examiners.

Because a litigant may use the information contained in a relevancy
statement against an applicant in an inequitable conduct proceeding, the
Patent Office should create incentives that outweigh the risks associated

144. See FTC REPORT, supra note 10, ch. 5, at 11 n.73 & n.74.
145. See Hricik, supra note 4, at 233 n.113; Kesan, supra note 9, at 770-71. See gen-
erally 6 CHISUM, supra note 7, § 19.03[2][b][v].
146. 1 CHISUM, supra note 7, Glossary.
147. FTC REPORT, supra note 10, ch. 5, at 11-12.
148. See Kesan, supra note 9, at 770-71; Nolan-Stevaux, supra note 72, at 147.
with the submission of relevancy statements. Some of the possible incentives for applicants to submit relevancy statements include a heightened presumption of patent validity with respect to the information submitted,\textsuperscript{149} reduced patent examination fees, and "special" examination status for applicants who utilize relevancy statements.

Alternatively, the Patent Office may mandate the submission of such statements regardless of the incentive chosen. Statements of relevance are already required for submission of foreign-language prior art references,\textsuperscript{150} and the Patent Office could simply extend this requirement to all applicant submitted information. Although relevancy statements address the information asymmetry between applicants and the Patent Office, the statements do not address the information asymmetry between the Patent Office and competitors of the applicant.

b) Mechanism for Competitors: Integrating Third-Party Submission and Protest Procedures

As previously discussed, individuals in competition with patent applicants may possess a vast resource of information relevant to the patentability of a pending patent application. The Patent Office should therefore create incentives and procedures for these competitors to disclose relevant information in a timely fashion. One way to accomplish these goals is to integrate current third-party submission and protest procedures.

Pursuant to 37 C.F.R. § 1.99 ("Rule 99"), competitors and other interested third parties may submit publications to the Patent Office for consideration during examination after the Patent Office published a patent application.\textsuperscript{151} Presently, in accordance with the ex parte examination procedure, the Patent Office preserves pending applications in confidence until publication.\textsuperscript{152} Although Rule 99 may, in theory, permit competitors and other interested third parties to submit relevant information to the Patent Office, the procedure is limited in three respects. First, a third party must submit a list of publications for consideration by the Patent Office within two months from the date of application publication.\textsuperscript{153} Second, a third-party submission may not include an explanation describing the relevant aspects of the list of publications.\textsuperscript{154} Finally, the procedure permits the

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\textsuperscript{149} Kesan, \textit{supra} note 9, at 773-75.
\textsuperscript{150} 37 C.F.R. § 1.98(a)(3)(i) (2005).
\textsuperscript{151} 37 C.F.R. § 1.99 (2005).
\textsuperscript{153} 37 C.F.R. § 1.99(e) (2005).
\textsuperscript{154} \textit{Id.} § 1.99(d).
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submission of only printed publications. Accordingly, the quality of information submitted under the third-party submission procedure is relatively low.

In addition to third-party submissions under Rule 99, third parties may file a protest with the Patent Office to submit information adverse to a pending patent application. Unlike third-party submissions, protests require a concise explanation of the relevance of each item the protestor submits. In addition, a protest is not limited to printed publications; the protestor may submit any relevant information to the Patent Office. Accordingly, the quality of information submitted to the Patent Office in a protest is relatively high; however, a protestor must file a protest prior to the date the Patent Office publishes the application or issues a notice of allowance, whichever occurs first. Thus, the feasibility of competitors becoming aware of a pending patent application to file a protest is relatively low because the Patent Office preserves pending applications in confidence until publication.

Integrating the third-party submission and protest procedures would improve the quality of information submitted by competitors. The Patent Office should allow competitors and other interested third parties to submit information anytime after the publication of a patent application. The examiner would consider the submitted information unless it unduly interferes with the preparation of an office action, similar to current Patent Office practices with preliminary amendments. Moreover, under this proposal and similar to the current procedure for protests, third parties would be allowed to submit all types of information, including evidence of sales or public use activity. This broadened submission practice ensures that an applicant informs the examiner of all information relevant to the statutory requirements for patent protection. In addition, third parties should submit a brief statement of relevancy for all information submitted. This additional relevancy requirement improves the quality of information submitted and decreases the burden on the Patent Office to independently establish relevancy. Because the current regulations mandate the publication of patent applications eighteen months after the earliest filing date and the

155. Id. § 1.99(b)(2).
156. Id. § 1.291 (2004); MPEP, supra note 113, § 1901.
158. Id. § 1.291(c)(1).
159. Id. § 1.291(b).
160. Id. § 1.115(b)(2).
average pendency for a patent is 27.6 months,\textsuperscript{162} third parties will typically have ample time to submit relevant information to the Patent Office under this proposal.

If patent pendency decreases so as to render the submission of information unfeasible or impractical, the Patent Office should consider reviving the practice of publishing abstracts.\textsuperscript{163} Under this proposal, the Patent Office may either publish abstracts immediately upon the filing of a patent application or contemporaneous to the first office action of a pending patent application. Although waiting to publish the abstract until the first office action may delay the submission of information by third parties, it ensures that the abstract publication includes any modifications made by a preliminary amendment.\textsuperscript{164} Designed to convey to the public the nature and gist of the technical disclosure, the abstract allows third parties to locate relevant information and disclose this information to the Patent Office.\textsuperscript{165}

To ensure that these proposals do not impose any additional, significant burden, the Patent Office may employ a number of limiting strategies. For example, the Patent Office may limit submissions to a defined number of pieces of information. This restriction is similar to the current third-party submission procedure, which permits the submission of up to ten total patents or publications.\textsuperscript{166} Limiting the number of pieces of information ensures that third parties submit only their most relevant information and cannot inundate the Patent Office with irrelevant material. Under another limiting strategy, the Patent Office may rely on applicants to submit and maintain a list of direct competitors. Various agencies, such as the Security Exchange Commission (SEC), routinely require similar information disclosures from regulated entities.\textsuperscript{167} The Patent Office may choose to limit submissions to individuals or corporations identified by the applicant as competitors. This restriction confines the number of parties capable of submitting information and avoids multiple individuals within an organization from separately submitting information and inundating the Patent Office.

\textsuperscript{162} PTO'S \textsc{21st Century Strategic Plan}, supra note 9, at 21.
\textsuperscript{163} Publication of abstracts was discontinued in 1953. MPEP, supra note 113, § 711.06.
\textsuperscript{164} Generally, a preliminary amendment is an amendment that is received in the Patent Office on or before the mail date of the first office action. MPEP, supra note 113, § 714.01(e).
\textsuperscript{165} MPEP, supra note 113, § 608.01(b).
\textsuperscript{166} 37 C.F.R. § 1.99(d) (2005).
2. Provide a Fee-shifting Mechanism

Total legal costs associated with patent litigation typically range from $650,000 to $4.5 million per party.\(^{168}\) It can be inferred that litigants spend a small, yet significant amount of these total costs litigating issues related to inequitable conduct, in particular the subjective element of intent. Presently, the court may award attorney fees in only exceptional patent cases.\(^{169}\) Accordingly, a fee-shifting mechanism would be advantageous to reduce the number of parties frivolously pleading inequitable conduct and reduce patent litigation costs for those who prevail on an inequitable conduct determination. One feasible proposal is to employ a fee shifting mechanism similar to that contained in the Patent Acts of 1790 and 1793. Pursuant to these Acts, a third party could seek the repeal of patents obtained surreptitiously, and if the courts denied the party seeking to repeal a patent relief, that party paid all costs associated with defending the repeal action to the patent owner.\(^{170}\)

Under this proposal, if a party pleads inequitable conduct by bringing an unenforceability action and the court denies relief, the court awards the prevailing party the reasonable value of attorney fees incurred in defending the unenforceability action. Providing such a fee shifting mechanism will directly reduce the number of frivolous inequitable conduct claims by increasing the expected costs of claiming the defense.\(^{171}\) By removing inequitable conduct from some patent infringement cases, the court can force litigants to focus on the statutory requirements for patent protection. Furthermore, the fee shifting mechanism should ameliorate other detrimental effects inequitable conduct has on patent litigation, including animosity among the parties and negative impact on settlement,\(^{172}\) by compensating those injured by legally unpersuasive inequitable conduct claims.

169. See 35 U.S.C. § 285 (2000); Pro-Mold and Tool Co., Inc. v. Great Lakes Plastics, Inc., 75 F.3d 1568, 1575 (Fed. Cir. 1996) ("If a trial court considers that the case is an exceptional one, which is often found when the patent has been improperly procured, attorney fees can be awarded.").
171. See Multiform Desiccants, Inc. v. Medzam Ltd., 133 F.3d 1473, 1482 (Fed. Cir. 1998) ("[T]he charge of inequitable conduct before the patent office had come to be attached to every patent prosecution, diverting the court from genuine issues and simply spawning satellite litigation."); see FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1415 (Fed. Cir. 1987).
172. See Committee Position Paper, supra note 75, at 75.
B. Proposals to Improve the Patent Reform Act

1. Allow the Actions of Registered Practitioners to be Imputed to the Patent Owner

The Patent Reform Act does not impute misconduct committed by registered practitioners to the patent owner. In contrast, a patent owner is liable for misconduct committed by unregistered practitioners who represent the patent owner. This preferential treatment seems unwarranted and counterintuitive for three reasons. First, registered practitioners are more likely to be familiar with Patent Office procedures and the technicalities of the inequitable conduct doctrine. Sanctions, therefore, for registered practitioners should arguably be more severe than sanctions for unregistered practitioners.

Second, the Patent Office has always recognized that members of the patent bar should be held to a higher standard of conduct than the rest of the legal community. Reforms to the inequitable conduct doctrine should maintain, not weaken, this recognition.

Third, the patent owner’s culpability does not change because of the status of the patent owner’s representatives. Since inequitable conduct results in the unenforceability of a patent, the doctrine should focus on the culpability of the patent owner and not the status of a patent owner’s representative. Accordingly, the court should impute the misconduct of both registered and unregistered practitioners to the patent owner, conforming to modern inequitable conduct doctrine and agency principles.

2. Eliminate the Patent Office’s Proposed Role in Inequitable Conduct Investigations

The Patent Reform Act would create a “special office” within the PTO to handle referrals from courts and conduct inequitable conduct investigations. Since the Patent Office’s remedial powers under the Act are limited to sanctions under 35 U.S.C. § 23, this “special office” is primarily responsible for reprimanding practitioners who commit inequitable con-
Because of the numerous detrimental effects of such an office, this provision of the Patent Reform Act should be eliminated.

First, the Patent Office will be required to allocate its limited resources to the “special office.” These resources will support various administrative tasks, such as the recording of office proceedings, scheduling of hearings, and issuance of subpoenas. In addition, the Patent Office will need to procure and compensate competent decision makers to adjudicate inequitable conduct hearings. Because it is well established that the Patent Office is an under funded agency, proposals to reform inequitable conduct should seek to reduce, not increase, the burden on the Patent Office.

Second, the Patent Office already sanctions members of the patent bar who commit misconduct. Devoting a “special office” solely for the sanctioning of registered practitioners who commit inequitable conduct is a waste of valuable resources when current disciplinary proceedings already evaluate misconduct involving dishonesty, fraud, deceit, or misrepresentation. Moreover, if the previous proposal of imputing the acts of registered practitioners to the patent owner is adopted, practitioners committing inequitable conduct will be effectively disciplined when a court renders a client’s patents unenforceable because of the practitioner’s misconduct. Accordingly, the threat of losing a client or ruining one’s reputation will deter registered practitioners from committing inequitable conduct.

Finally, the Patent Office has already announced its inability and unwillingness to investigate claims of inequitable conduct. In 1982, the Patent Office amended Rule 56 to permit rejections of patent applications based on inequitable conduct and fraud. The amended Rule permitted rejections only if, by clear and convincing evidence, the applicant committed or attempted to commit fraud on the Patent Office or violated the duty of disclosure through bad faith or gross negligence. Under the amendment, “examiners with legal training assigned to the Office of the Assistant Commissioner for Patents” conducted investigations into and made

178. See id.
179. See FTC REPORT, supra note 10, Executive Summary, at 10 (“Hearings participants unanimously held the view that the PTO does not receive sufficient funding for its responsibilities.”); NAS Report, supra note 10, at 103-08.
181. Id. §§ 10.23(b)(4), 10.132.
183. Id.
determinations of inequitable conduct. In 1988 the Patent Office announced that it would no longer investigate or reject original and reissue applications under Rule 56. Former Commissioner Donald Quigg opined that the Patent Office was not the best forum to adjudicate inequitable conduct claims. Specifically, the Patent Office’s lack of resources to cross-examine witnesses and inability to handle live testimony would not be conducive to the intent of the accused. Furthermore, even if the Patent Office possessed the resources, the former Commissioner stated that modifying Patent Office procedures to accommodate live testimony would not be an effective utilization of such resources. Thus, after a court determines that a registered practitioner committed inequitable conduct, the Patent Office should utilize current misconduct proceedings to sanction practitioners on a case-by-case basis.

IV. CONCLUSION

The goals of a properly functioning patent system are to reward ingenuity and stimulate innovation. The twenty-first century presents challenges to the United States patent system that will test its flexibility and capacity to accomplish these goals. This Note recommends four proposals that strive to enhance inequitable conduct standards by improving the quality of information available to examiners and reducing patent litigation costs. The Patent Reform Act, in conjunction with these four proposals, will help our patent system meet the challenges of the twenty-first century by delivering high-quality, cost-effective patent examination.

185. Patent and Trademark Office Implementation of 37 C.F.R. 1.56, 1095 Off. Gaz. Pat. & Trademark Office 16 (Sept. 8, 1988) ("Accordingly, the Office will no longer investigate and reject original or reissue applications under 37 CFR 1.56 and to the extent 37 CFR 1.56 now requires the Office to do so, it is hereby waived.").
186. See id.
187. Id.