

# Wrong About Everything: The Application by the District Courts of Rule 9(b) to Inequitable Conduct

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# WRONG ABOUT EVERYTHING: THE APPLICATION BY THE DISTRICT COURTS OF RULE 9(b) TO INEQUITABLE CONDUCT

BY DAVID HRICK\*

## I. INTRODUCTION

"Inequitable conduct," which is often loosely referred to as "fraud on the Patent Office," is a defense to patent infringement. The United States Court of Appeals for the Federal Circuit has not yet addressed whether the heightened pleading requirements of Federal Rule of Civil Procedure 9(b) apply to pleadings alleging inequitable conduct.<sup>1</sup> The district courts that have addressed that question have held, with one exception, that inequitable conduct must be plead with particularity in accordance with Rule 9(b). The district courts reach this conclusion either by concluding that inequitable conduct is fraud on the Patent Office and thus constitutes "fraud" in terms of Rule 9(b), or by assuming that requiring inequitable conduct to be plead with particularity will further various public policies. They also uniformly apply regional circuit law, as opposed to Federal Circuit law, in determining the degree of detail required by Rule 9(b), and generally require defendants to plead precisely the same kind of detail as in typical fraud cases.

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1. See *Agere Sys. Guardian Corp v. Proxim, Inc.*, 190 F. Supp. 2d 726, 733-34 (D. Del. 2002) ("[T]he Federal Circuit has not ruled on whether Rule 8(a) or Rule 9(b) applies to allegations of inequitable conduct."); *Nortel Networks Ltd. v. Kyocera Wireless Corp.*, No. 3:02-CV-0032-D, 2002 U.S. Dist. Lexis 17845, at \*5 (N.D. Tex. Sept. 20, 2002) ("Absent intervening Federal Circuit precedent, the court adhered to its earlier" conclusion that Rule 9(b) applies).

The district courts in this line of cases are wrong about everything. This Article concludes that Rule 9(b) does not apply to inequitable conduct because it is neither fraud nor mistake. The Article also demonstrates that, because inequitable conduct is not literally covered by Rule 9(b), it is improper to even consider whether public policy favors applying a heightened pleading standard to inequitable conduct claims. Even if it were permissible to consider, this Article shows that it is, at best, a close question as to whether applying Rule 9(b) furthers public policies, and in fact the application of the Rule to inequitable conduct is just as likely to frustrate important patent goals as it is to further them. Next, and contrary to the practice of the district courts, this Article concludes that Federal Circuit law, and not the law of the regional circuits, governs what degree of particularity should be required. Finally, this Article suggests guidelines for applying Rule 9(b) in the future.<sup>2</sup>

## II. A PRIMER ON INEQUITABLE CONDUCT, NOTICE PLEADING, AND RULE 9(b)

### A. *An Overview of the Inequitable Conduct Defense*

Breach of the duty of candor to the Patent Office can be an issue both in the Patent Office and in patent litigation. This section briefly surveys the role of the courts and the Patent Office in enforcing the duty of candor.

#### 1. Inequitable Conduct in the Courts

The modern source of the defense of inequitable conduct or fraud on the Patent Office is the Supreme Court's 1945 decision in *Precision Instrument Manufacturing v. Automotive Maintenance Machine Co.*<sup>3</sup> Just a few years later Congress, in the Patent Act of 1952, codified "unenforceability" as a defense to patent infringement.<sup>4</sup>

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2. That is, until the practice is discontinued or in case the Supreme Court decides that it is I who am wrong. In addition, as noted below, *infra* notes 60–64 and accompanying text, Rule 9(b) does apply to claims of actual fraud on the Patent Office. Hence, in those rare cases seeking affirmative relief and alleging actual fraud on the Office, those guidelines should be applied.

3. 324 U.S. 806 (1945). See generally Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L. & TECH. 37, 49–51 (1993).

4. Ch. 950, 66 Stat. 812 (1952) (codified as amended at 35 U.S.C. § 282 (2000)); see Goldman, *supra* note 3, at 52–53 (noting the lack of meaningful legislative history).

Unenforceability includes the defense that the patent was obtained through inequitable conduct.<sup>5</sup>

During the time between the enactment of the Patent Act of 1952 and the advent of the Federal Circuit in 1982, courts wildly disagreed on the precise nature of the defense of fraud on the Patent Office.<sup>6</sup> Even during the tenure of the Federal Circuit, the contours of the defense have shifted markedly. At one time, the Federal Circuit dramatically liberalized the defense, and later—equally dramatically—severely restricted its scope.<sup>7</sup>

As it stands today, inequitable conduct is an affirmative defense to patent infringement. In order to prove inequitable conduct, the defendant must prove by clear and convincing evidence: (1) that there was material information; (2) which someone substantively involved in prosecution withheld or misrepresented; (3) with an intent to deceive the Patent Office (PTO).<sup>8</sup> First, information is considered "material when there is a substantial likelihood that a reasonable examiner would have considered the information important in deciding whether to allow the application to issue as a patent."<sup>9</sup> Applicants are required to disclose information to the Patent Office even though the information would not, by itself, require rejection of a claim.<sup>10</sup>

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5. *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1560–61 (Fed. Cir. 1984) (holding that inequitable conduct "fits best" within section 282(1) of the Patent Act of 1952 as a grounds for "unenforceability"), *cert. denied*, 474 U.S. 822 (1985).

6. *See Goldman*, *supra* note 3, at 52–67 (describing the contradictory and evolving standards applied by the courts between 1952 and 1982); *accord* Charles M. McMahon, *Intent to Commit Fraud on the U.S.P.T.O.: Is Mere Negligence Once Again Inequitable?*, 27 AM. INTELL. PROP. L. Q. J. 49, 55–57 (1999).

7. *See Goldman*, *supra* note 3, at 67–84 (describing the Federal Circuit's uneven development of inequitable conduct elements).

8. *See Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995).

9. *Id.* at 1179. The Federal Circuit has applied varied definitions of "materiality," and has often refused to be bound by any one definition, particularly in the infancy of the court. In an early decision, the court noted that various definitions of materiality had been used by courts prior to the creation of the Federal Circuit, but stated that "[t]here is no reason . . . to be bound by any single standard . . ." *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir. 1984).

10. *Norton v. Curtiss*, 433 F.2d 779, 795 (C.C.P.A. 1970). The court recognized that requiring disclosure only of facts which would in and of themselves require rejection of the pending claims, or invalidate them after issuance, was too narrow:

Findings of materiality should not be limited only to those situations where there can be no dispute that the true facts, or the complete facts, if they had been known, would most likely have prevented the allowance of the particular claims at issue or alternatively, would provide a basis for holding those claims invalid. In such cases,

The second element focuses on who acted or failed to act. Every person who is substantively involved in the prosecution of an application (the "applicant") has a duty to prosecute applications with candor, good faith, and honesty.<sup>11</sup> Thus, inventors and their attorneys, but not secretaries or the like, must fulfill the duty of candor.

The third and final element of intent has been given the most wide-ranging interpretation of the three elements and is also most pertinent here. During the first six years of the court's existence, some Federal Circuit panels had suggested that gross negligence was sufficient to find a patent unenforceable.<sup>12</sup> However, in the late 1980s, the Federal

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the claims at issue would probably be invalid, in any event, because of the *existence* of those facts, *in and of themselves*. Whether the claims would also be unenforceable because a fraud was committed in misrepresenting the facts to the Patent Office would really be of secondary importance.

*Id.* Consequently, the *Norton* court held that information could be material even if it would not have, from an objective perspective, directly affected patentability of the claims at issue.

*Id.* Instead, the court held that the subjective views of the examiner and applicant must be considered, and that if the court determines that "the claims would *not* have been allowed *but for* the misrepresentation, then the facts were material regardless of their effect on the objective question of patentability." *Id.*

The broader standard of looking at whether a reasonable examiner would have considered the information material—as opposed to whether, in light of the information, the claims are patentable from an objective view point—serves several purposes. The *Norton* court emphasized that it served to give "real meaning" to the "relationship of confidence and trust between applicants and the Patent Office . . ." *Id.* In addition, it reduces search costs, which is particularly important because, as government employees, examiners have a limited amount of time to spend on each application. Requiring applicants to submit only information that they know would result in denial of their claims would thus require examiners to spend more time on each application.

It bears noting that later developments have undermined the *Norton* court's statement that an applicant's withholding of art only invalidates a claim of secondary importance. As shown more fully below, inequitable conduct with respect to one claim renders the entire patent—including all other claims, not just the one claim—unenforceable and could lead to unenforceability of related applications. *See infra* notes 18–19 and accompanying text. In contrast, invalidity is generally determined on a claim-by-claim basis. *See Connell v Sears, Roebuck Co.*, 722 F.2d 1542, 1552 (Fed. Cir. 1983) (holding that the validity of each claim must be determined separately). As a result of these differing consequences, an applicant that establishes that a claim is invalid does so only for that claim; whereas an applicant who proves that a patentee intentionally withheld prior art that would have invalidated a claim renders the entire patent—and perhaps other patents—wholly unenforceable.

11. *See Molins*, 48 F.3d at 1178.

12. *In re Jerabek*, 789 F.2d 886, 891 (Fed. Cir. 1986); *Driscoll v. Cebalo*, 731 F.2d 878, 884–85 (Fed. Cir. 1984). Although these cases reasoned that an intent to mislead could be found based upon gross neglect, the holdings of these courts that a patent could be deemed unenforceable were consistent with the version of Rule 56 which applied to the patents-in-suit. At that time, Rule 1.56 provided that an application would be rejected if the "duty of disclosure was violated through bad faith or gross negligence." *Driscoll*, 731 F.2d at 884 n. 4

Circuit, in a section of *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*,<sup>13</sup> which was considered and decided en banc, ostensibly rejected the proposition that a patent could be held unenforceable if the applicant had only been grossly negligent in making a misrepresentation or omission.<sup>14</sup> The court then stated:

Some of our opinions have suggested that a finding of gross negligence compels a finding of intent to deceive. Others have indicated that gross negligence alone does not mandate a finding of intent to deceive.

"Gross negligence" has been used as a label for various patterns of conduct. It is definable, however, only in terms of a particular act or acts viewed in light of all the circumstances. We adopt the view that a finding that particular conduct amounts to "gross negligence" does not of itself justify an inference of intent to deceive; the involved conduct, viewed in light of all the evidence, including evidence indicative of good faith, must indicate sufficient culpability to require a finding of intent to deceive.<sup>15</sup>

While there is room to debate precisely what *Kingsdown* held, courts have routinely held that under *Kingsdown*, proof of gross negligence is not enough; there must also be proof of intent to mislead the Patent Office.<sup>16</sup>

Even if all three elements are proven, the patent is to be held unenforceable only if in the equitable judgment of the court "the conduct of the patentee is so culpable that its patent should not be enforced."<sup>17</sup> The effect of a finding of inequitable conduct is to render the affected patent unenforceable in its entirety. Even if the inequitable conduct pertained only to one claim of a patent (most have more than

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(quoting 37 C.F.R. § 1.56(d)); see also *Jerabek*, 789 F.2d at 890 n.10 (applying rule 56).

13. 863 F.2d 867, 876 (Fed. Cir. 1988).

14. *Id.*

15. *Id.* (citations omitted).

16. *Compare* *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1381 (Fed. Cir. 2001) (reasoning that *Kingsdown* requires a finding of intent to deceive), *with* *McMahon*, *supra* note 6 (questioning whether negligence is still relevant).

17. *La Bounty Mfg., Inc. v. U.S. Int'l Trade Comm'n*, 958 F.2d 1066, 1070 (Fed. Cir. 1992); see *Life Technologies, Inc. v. Clontech Laboratories, Inc.*, 224 F.3d 1320, 1324 (Fed. Cir. 2000).

one), every claim in the patent is deemed unenforceable.<sup>18</sup> Indeed, it is possible that inequitable conduct during the prosecution of one application can lead to patents that issued on different, but related, applications being held unenforceable.<sup>19</sup>

## 2. The Patent Office and the Duty of Candor

Soon after the Supreme Court recognized unenforceability as a defense in 1945, the Patent Office began requiring applicants to disclose information material to patentability. This duty was originally contained in, and is still referred to as, Patent Office "Rule 56," which was later codified at 37 C.F.R. § 1.56.<sup>20</sup> For many years, an applicant who violated Rule 56 could have the application rejected by the Patent Office even if the invention otherwise met the statutory criteria for patentability.<sup>21</sup> However, in the late 1980s the Patent Office announced that it would no longer investigate whether applicants had attempted to deceive it. The Office stated that it was doing so in light of the fact that the Federal Circuit—apparently in *Kingsdown*—had imposed "a high level of proof of intent to mislead . . ."<sup>22</sup> The Patent Office explained:

The Office is not the best forum in which to determine whether there was an 'intent to mislead', such intent is best determined when the trier of facts can observe demeanor of witnesses subjected to cross-examination. The Office is not presently equipped to handle live testimony. Modifying Office procedures to do so would not be an effective utilization of resources. A court, with subpoena power, is presently the best forum to consider duty of disclosure issues under the present evidentiary standard for finding an 'intent to mislead.' The court proceeding involves two parties. This is not the case in the Office, since even 'protesting' parties are not permitted to participate under the Rules. Also, it is the courts and not the Office that are in the best position to fashion an equitable remedy to fit the precise facts in those cases where inequitable

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18. *Kingsdown*, 863 F.2d at 876.

19. *Consol. Aluminum Corp. v. Fosco Int'l Ltd.*, 910 F.2d 804 (Fed. Cir. 1990).

20. 37 C.F.R. § 1.56 (2002). This rule was originally enacted in 1951. See Goldman, *supra* note 3, at 53 & n.86.

21. See *Norton v. Curtiss*, 433 F.2d 779 (C.C.P.A. 1979).

22. See DONALD S. CHISUM, 4 CHISUM ON PATENTS § 11.03[4][b][iv] n.66 (1996) (citing PTO Notice Regarding Implementation of 37 C.F.R. § 1.56, 1095 PTO Official Gazette 16 (Sept. 8, 1988)).

conduct is established. Furthermore, inequitable conduct is not set by statute as a criteria [sic] for patentability but rather is a judicial application of the doctrine of unclean hands which is appropriate to be handled by the courts rather than by an administrative body. Because of the lack of tools in the Office to deal with this issue and because of its sensitive nature and potential impact on a patent, Office determinations generally will not deter subsequent litigation of the same issue in the courts on appeal or in separate litigation. Office determinations significantly add to the expense and time involved in obtaining a patent with little or no benefit to the patent owner or any other parties with an interest.<sup>23</sup>

Soon after making this announcement, the Patent Office formalized its decision to discontinue investigation of allegations of inequitable conduct, except in "the most egregious and clear cases," such as when a court has made a final "decision that inequitable conduct has occurred."<sup>24</sup>

The current, more narrow version of Rule 56 focuses on patentability of claims and contains a narrow definition of "materiality."<sup>25</sup> Under the current rule, information is material only "if it establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim" or "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."<sup>26</sup>

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23. *Id.*

24. Dep't of Commerce, Notice of Proposed Rulemaking, Duty of Disclosure, 56 Fed. Reg. 37321, 37323 (Aug. 6, 1991).

25. *Id.* at 37321.

26. 37 C.F.R. § 1.56(b)(1-2) (2002). Rule 56 goes on to state:

A prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable under the preponderance of the 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.

*Id.* at (b)(2). It is unclear whether the Federal Circuit will apply the current more narrow definition of materiality to inequitable conduct claims. It is certainly not required to do so. It would be a mistake for it to do so since the reasons for the Patent Office's adoption of a narrow standard—the lack of resources to enforce a broad standard—do not apply to private litigants. If it does adopt the narrow definition, however, then the need for enforcement—by



Thus, the Patent Office currently applies a more narrow definition of materiality now than in the past. More significant here, it is a matter of public record that the Patent Office relies on the courts and the accused infringers to ensure compliance with the duty of candor.

### *B. The Federal Rules' Approach to Pleading*

At common law, disputes were often not decided on the merits, but rather on whether the plaintiff's pleading complied with what today are viewed as arcane rules of pleading.<sup>27</sup> In rejecting this approach, the Federal Rules, when adopted in 1938, changed the focus of litigation from pleadings to the legal or factual merits of the dispute by generally requiring only notice pleading.<sup>28</sup> Pleadings were required to be "simple, concise, and direct" and "technical forms of pleading" were prohibited.<sup>29</sup> Further, courts were required to construe pleadings so "as to do

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reason of an inequitable conduct defense—becomes even more critical, since the only information that would be material would be information that very likely would have reduced the scope of, or even defeated the issuance of, a claim.

27. As a leading scholar explained:

All claims had to fit within the parameters of any one of ten recognized forms of action. If a complaint did not sound in one of the recognized forms of action, it was dismissed. Litigation was characterized by endless rounds of pleading with the goal of reducing the controversy to one question of law which then could be decided by the court without trial. . . . Because trial was disfavored, pleadings were strictly construed against the drafters. Litigation became a veritable minefield; one procedural slip and the case would be dismissed with prejudice, irrespective of its merit. Common law pleading rules honored form over substance and rewarded the clever advocate over the litigant with the meritorious claims. Justice was achieved not by obtaining a fair resolution of the dispute but by complying with the arcane rules of pleading.

Edward Cavanaugh, *Pleading Rules in Antitrust Cases: A Return to Fact Pleading?*, 21 REV. LITIG. 1, 3–4 (2002) (footnotes omitted).

28. The principal rule governing pleading emphasizes the short and plain nature of pleadings:

(1) a short and plain statement of the grounds upon which the court's jurisdiction depends, unless the court already has jurisdiction and the claim needs no new grounds of jurisdiction to support it, (2) a short and plain statement of the claim showing that the pleader is entitled to relief, and (3) a demand for judgment for the relief the pleader seeks.

FED. R. CIV. P. 8(a); *see also* *Hickman v. Taylor*, 329 U.S. 495, 501 (1947) (stating that the Federal Rules of Civil Procedure "restrict the pleadings to the task of general notice-giving.").

29. FED. R. CIV. P. (8)(e) ("Each averment of a pleading shall be simple, concise, and direct. No technical forms of pleading or motions are required.").

substantial justice."<sup>30</sup> As a result, today's pleadings "play a diminished role in federal actions compared with their pivotal role at common law."<sup>31</sup> In typical cases, compliance with the liberal notice provisions of the Federal Rules is simple and straightforward.

However, the drafters of the Federal Rules made specific exceptions to the rule that pleadings must contain only short and plain statements. The two pertinent exceptions here are both contained in the Rule 9(b) requirement that "[i]n all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity."<sup>32</sup> Rule 9(b) provides the only exceptions in the Federal Rules to notice pleading—fraud and mistake.<sup>33</sup>

The Rule 9(b) exception for fraud in particular was and continues to be justified on several grounds. First, a claim of fraud impugns the moral integrity of the accused and does so in the ostensibly public forum of a federal court pleading.<sup>34</sup> Second, a claim that someone has committed fraud is viewed as a vague charge.<sup>35</sup> Specificity was required to ensure that the defendant had fair notice of the precise nature of the claim and thus, adequate notice to defend.<sup>36</sup> Third, to the extent a charge of fraud is being made in order to undo a past transaction or agreement, requiring specificity would show the "alleged injustice is severe enough to warrant the risks and difficulties inherent in the re-examination of old and settled matters," and ostensibly reduces the

30. FED. R. CIV. P. 8(f).

31. Cavanaugh, *supra* note 27, at 3.

32. FED. R. CIV. P. 9(b). The Rule provides in full:

Fraud, Mistake, Condition of the Mind. In all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity. Malice, intent, knowledge, and other condition of mind of a person may be averred generally.

*Id.* See generally Michael A. Weidinger, *Inequitable Pleading: Defendants' Particular Burden in Patent Infringement Suits*, 62 GEO. WASH. L. REV. 1178, 1190–91 (1994) (discussing Rule 9(b)).

33. Congress has required particularized pleading in certain securities fraud actions. See 15 U.S.C. § 78 u-4(b)(2) (2000). Rule 9(g) states that certain special damages be specifically plead. Subsections (a), (c), (d), (e), (f) of Rule 9 are consistent with notice pleading, generally permitting a generalized pleading of capacity, conditions precedent, performance of a governmental act, judgment, or time and place, and requiring the party wishing to place those facts in issue to present a particularized pleading.

34. CHARLES A. WRIGHT & ARTHUR M. MILLER, 5 FEDERAL PRACTICE § 1296 (2d ed. 1990).

35. *Id.*

36. *Id.*

likelihood of a suit being filed solely to discover whether a wrong had, in fact, been done.<sup>37</sup> Finally, the drafters of the Federal Rules believed that specificity would reduce the likelihood of so-called "strike suits" from being used to coerce defendants to pay to avoid negative publicity.<sup>38</sup>

The particularity requirement also reduces the plaintiff's ability to create leverage by pleading fraud in a contract action. This may be the rule's principal functional purpose. Many claims can cause embarrassment, be used for publicity purposes, be used to undo settled matters, or be used for discovery.<sup>39</sup> Yet, the rules do not require particularized pleading based on embarrassment and the like. Fraud is set apart from those claims because it allows for recovery of punitive damages. Requiring particularized pleading reduces a fraud plaintiff's settlement leverage.

Whether, in the usual civil case, the goals of the particularity requirement are in fact met by Rule 9(b) and whether later-developed rules and procedures obviate the need for it have both been the subject of considerable writing.<sup>40</sup> Whether applying the specificity requirement

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37. *Id.*

38. *Id.*

39. For example, an allegation of patent infringement need not be made with particularity. *See Weidinger, supra* note 32, at 1204. Because many patents contain multiple claims, and only claims are infringed, a charge of "patent infringement" is quite vague and hard to defend. In addition, accusations of patent infringement are often widely publicized, and often require substantial discovery, including discovery into the defendant's manufacturing processes, research and development programs, and trade secrets. In addition, patent owners often contend infringement was "willful"—meaning it was done intentionally or in bad faith. *See Read v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992). Yet, Rule 9(b) does not apply to claims of infringement. FED. R. CIV. P. 9(b).

40. The current debate over Rule 9(b) was recently summarized as follows:

Whether the specificity in pleading requirement embodied in Rule 9(b) continues to serve these purposes is a matter of debate. Commentators and courts have questioned whether the costs imposed by the specificity requirement now outweigh its benefits. For example, it is not clear whether a specificity requirement can or should protect reputations. Nor is it clear whether a specificity requirement provides any meaningful protection against strike suits. Similarly, it does not appear that particularized pleadings offer any more meaningful notice than ordinary notice pleadings. Moreover, it is debatable whether a specificity requirement will in fact provide a solid foundation for opening past transactions that are closed.

In addition, other provisions of the Federal Rules—introduced after the Federal Rules' initial promulgation—may address concerns that led to the adoption of a specific standard more effective than Rule 9(b). For example, Rule 11, revitalized in 1983 and fine-tuned in 1993, is specifically targeted at baseless claims and those suits brought for improper purposes. Strike suits and suits brought solely to obtain discovery are clearly within the ambit of Rule 11's prohibitions.

of Rule 9(b) to the defense of inequitable conduct serves these purposes is addressed below.<sup>41</sup>

### III. RULE 9(b) DOES NOT COVER INEQUITABLE CONDUCT

A long line of district courts have held that Rule 9(b) applies to inequitable conduct claims.<sup>42</sup> One commentator has argued,<sup>43</sup> and one

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Cavanaugh, *supra* note 27, at 7–8 (footnotes omitted); see WRIGHT & MILLER, *supra* note 34, § 1296 (noting that commentators have questioned the utility of Rule 9(b)).

41. See *infra* notes 97–153 and accompanying text; see also Weidinger, *supra* note 32, at 1199–1211 (arguing that Rule 9(b) should not apply to inequitable conduct claims).

42. The earliest decision expressly holding that Rule 9(b) applied to inequitable conduct claims was *Northern Engineering & Plastics Corp. v. Blackhawk Molding Co.*, 189 U.S.P.Q. 734, 734 (N.D. Ill. 1975). There, the court held the defendant's allegation insufficient because "[n]o specific facts have been pleaded to show fraud. In fact, defendant's pleading gives plaintiff no notice of what the substance of the alleged fraud was." The *Northern Engineering* court concluded that Rule 9(b) applied based upon two decisions: *PPG Industries, Inc. v. Celanese Coatings Co.*, 176 U.S.P.Q. 235 (D. Md. 1972), which concluded without analysis that Rule 9(b) applied and was not met, and *Simmonds Aeroaccessories, Ltd. v. Elastic Stop Nut Corp. of America*, 158 F. Supp. 277, 278 (D.N.J. 1958), which stated that, even if the claim at issue was that the trademark had been obtained "fraudulently" as opposed to merely "falsely," the claim was plead with enough detail to meet Rule 9(b). The *Simmonds* court did not address whether Rule 9(b) applied to such claims.

Since that time, numerous courts have held the rule applies. See *Point DX, Inc. v. Voxar Ltd.*, 2002 WL 31189696, at \*1 (M.D.N.C. Sept. 20, 2002) ("Like an allegation of fraud, an allegation of inequitable conduct before the PTO is subject to the enhanced pleading requirements of Rule 9(b)."); *Nortel Networks Ltd. v. Kyocera Wireless Corp.*, No. 3:02-CV-0032-D, 2002 U.S. Dist. Lexis 17845, at \*5 (N.D. Tex. Sept. 20, 2002) (applying court's earlier holding that Rule 9(b) applies); *Davidson v. Cao*, 211 F. Supp. 2d 264, 285 (D. Mass. 2002) ("Following the lead of the majority view, this court similarly concludes that Rule 9(b) applies . . ."); *Agere Sys. Guardian Corp. v. Proxim, Inc.*, 190 F. Supp. 2d 726, 734 (D. Del. 2002) ("[A] majority of federal courts have found that allegations of inequitable conduct (*i.e.*, fraud before the Patent Office) in patent cases, like other allegations of fraud, are subject to the requirements of Rule 9(b)."); *ASM Am., Inc. v. Genus, Inc.*, 2002 WL 24444, at \*2 (N. D. Cal. Jan. 9, 2002) (reasoning that "inequitable conduct involve[s] fraud" and so Rule 9(b) applies); *In re Papst Licensing, GMBH Patent Litig.*, 174 F. Supp. 2d 446, 448 (E.D. La. 2001) ("[P]ublic policy dictates that the affirmative defense of inequitable conduct is also subject to the Rule 9(b) particularity requirement."); *Moore U.S.A., Inc. v. Standard Register Co.*, 139 F. Supp. 2d 348, 359 (W.D.N.Y. 2001) ("[T]his court finds that claims of inequitable conduct should be pled with the particularity required by Rule 9(b)."); *Union Carbide Chem. & Plastics Tech. Corp. v. Shell Oil Co.*, No. 99-CV-274-SIR, 2000 WL 1481015, at \*2 (D. Del. Sept. 29, 2000) ("The particularity requirement of Rule 9 applies to inequitable conduct charges."); *Rhone-Poulenc Agro S.A. v. Monsanto Co.*, 73 F. Supp. 2d 537, 538–39 (M.D.N.C. 1999) ("A defense based on a patentee's inequitable conduct is subject to the enhanced pleading requirements of Fed. R. Civ. P. 9(b). . . ."); *Miller Pipeline Corp. v. British Gas PLC*, 69 F. Supp. 2d 1129, 1135 (S.D. Ind. 1999) ("Averments of fraud on the patent office must satisfy Rule 9(b)'s requirement that fraud be pled with particularity."); *Systemation, Inc. v. Engel Indus., Inc.*, 183 F.R.D. 49, 51 (D. Mass. 1998) ("[T]he Court agrees with the clear majority on this issue and holds that Fed. R. Civ. P. 9(b) applies to Engel's claim of



district court decision specifically held, that Rule 9(b) does not apply to inequitable conduct defenses. This section addresses which interpretation is correct.

#### A. Rule 9(b) is Strictly Interpreted

Rule 9(b) applies to "all averments of fraud or mistake."<sup>44</sup> The Supreme Court in *Leatherman v. Tarran County Narcotics Intelligence and Coordination Unit*<sup>45</sup> reversed the broad reading given to the rule by the Fifth Circuit and held that Rule 9(b) is limited to fraud and mistake.<sup>46</sup> In *Leatherman*, the Court addressed whether the Fifth Circuit had properly applied a "heightened pleading standard" to civil rights cases alleging municipal liability under 42 U.S.C. § 1983.<sup>47</sup> The Fifth Circuit held that, rather than merely comply with Rule 8, the complaint had to "state with factual detail and particularity the basis for the claim which necessarily includes why the defendant-official cannot successfully maintain the defense of immunity."<sup>48</sup>

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Inc., 924 F. Supp. 1101, 1116 (D. Utah, 1996) (court assumed without analysis that Rule 9(b) applied); *Wolf v. Wagner Spray Tech. Corp.*, 10 U.S.P.Q.2d 1690, 1693 (S.D.N.Y. 1989) (court assumed without analysis that Rule 9(b) applied); *Papst Motoren GMBH & Co. KG v. Kanematsu-Goshu (U.S.A.), Inc.*, 629 F. Supp. 864, 870 (S.D.N.Y. 1986) (court assumed Rule 9(b) applied and held some allegations were sufficient); *Essex Int'l, Inc. v. Industria Prods., Inc.*, 64 F.R.D. 361, 363 (N.D. Ind. 1974) (court assumes Rule 9(b) applied and held that pleading met its requirements); *see also France Telecom S.A. v. Novell, Inc.*, No. 102-437-GMS, 2002 WL 31355255, at \*3 (D. Del. Oct. 17, 2002) (assuming Rule 9(b) applied to unclean hands defense in patent case "[t]o the extent" it involved fraud).

In at least one case, the parties actually agreed that Rule 9(b) applied. *Ronald A. Katz Tech. Licensing L. P. v. Verizon Comm. Inc.*, 2002 U.S. Dist. Lexis 12982 (E.D. Pa. July 16, 2002).

43. Weidinger, *supra* note 32, at 1196-1211. In addition, Professor Richard Marcus criticized the application of Rule 9(b) to inequitable conduct as exemplifying courts' efforts to "strain to justify application of those requirements [of Rule 9(b) of particularity] outside their natural sphere." Richard L. Marcus, *The Puzzling Persistence of Pleading Practice*, 76 TEX. L. REV. 1749, 1773 (1998) (citing *Chiron Corp.*, 156 F.R.D. at 221).

44. FED. R. CIV. P. 9(b).

45. 507 U.S. 163 (1992).

46. No court has yet addressed how *Leatherman* affects the application of Rule 9(b) to inequitable conduct claims. *See infra* note 59.

47. *Leatherman*, 507 U.S. at 164.

48. *Id.* at 167 (quoting *Elliott v. Perez*, 751 F.2d 1472, 1473 (5th Cir. 1985)). In *Perez*, the Fifth Circuit justified its heightened pleading standard by relying on policy grounds, as follows:

Where, as here, plaintiffs' complaint alleges in broad, indefinite and conclusory terms that two government officials, each having the status entitling each to claim immunity has, in his official capacity, violated plaintiff's rights, the groundwork is

The Supreme Court held that the Fifth Circuit's imposition of pleading requirements greater than those required by Rule 8 was "impossible to square . . . 'with the liberal system of notice pleading' set up by the Federal Rules."<sup>49</sup> It then stated:

Rule 9(b) does impose a particularity requirement in two specific instances. It provides that "[i]n all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity." Thus, the Federal Rules do address in Rule 9(b) the question of the need for greater particularity in pleading certain actions, but do not include among the enumerated actions any reference to complaints alleging municipal liability under § 1983. *Expressio unius est exclusio alterius*.

. . . Perhaps if Rules 8 and 9 were rewritten today, claims against municipalities under § 1983 might be subjected to the added specificity requirement of Rule 9(b). But that is a result which must be obtained by the process of amending the Federal Rules, and not by judicial interpretation. In the absence of such an amendment, federal courts and litigants must rely on summary judgment and control of discovery to weed out

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laid for disruption of the official's duties, and frustration of the protection and policies underlying the immunity doctrine.

What is a federal trial judge to do? One thing he may not do: face it as just another lawsuit in which the notice pleading's liberal policy of F.R.Civ.P. 8 counts on pretrial discovery to ascertain the factual basis for the claim, and as here, a defense. Allowing pretrial depositions, especially those taken adversely of the governmental official to ferret all of his actions and the reasons therefor, either for the purpose of being able to plead more specifically, or for use in the prospective trial, would defeat and frustrate the function and purpose of the absolute qualified immunity ostensibly conferred on the official.

The public goals sought by official immunity are not procedural. Indeed, they go to very fundamental objectives. To the extent that F.R.Civ.P. 8 and the practices under it present any conflict, the trial court must find a way to adapt its procedures to assure full effectuation of this substantive right, since the Enabling Act provides that the rules shall not abridge, enlarge or modify any substantive right.

*Id.* at 1479 (footnotes omitted). Concurring specially, Judge Higginbotham noted that Rule 9(b) applied only to suits involving fraud or mistake, and so doubted that the court had "authority to add the requirement that claims against officials who enjoy immunity from suit shall be pled with particularity." *Id.* at 1483. He reached the same conclusion as the majority, however, by different means, concluding that "no claim is stated against officials who hold positions which enjoy absolute immunity absent a statement of sufficient facts which, if true, would demonstrate the absence of immunity." *Id.*

49. *Leatherman*, 507 U.S. at 168.

unmeritorious claims sooner rather than later.<sup>50</sup>

The Supreme Court again emphasized the exclusive nature of Rule 9(b) in *Swierkiewicz v. Sorema N. A.*,<sup>51</sup> where it reviewed the dismissal of a complaint alleging employment discrimination.<sup>52</sup> The Second Circuit had held that the plaintiff must plead a prima facie case to avoid dismissal, and since he had not done so, the court affirmed dismissal of the complaint.<sup>53</sup> The Supreme Court reversed, explaining:

[I]mposing the Court of Appeals' heightened pleading standard in employment discrimination cases conflicts with Federal Rule of Civil Procedure 8(a)(2), which provides that a complaint must include only "a short and plain statement of the claim showing that the pleader is entitled to relief." Such a statement must simply "give the defendant fair notice of what the plaintiff's claim is and the grounds upon which it rests." This simplified notice pleading standard relies on liberal discovery rules and summary judgment motions to define disputed facts and issues and to dispose of unmeritorious claims . . . .

Rule 8(a)'s simplified pleading standard applies to all civil actions, with limited exceptions. Rule 9(b), for example, provides for greater particularity in all averments of fraud or mistake. This Court, however, has declined to extend such exceptions to other contexts. In *Leatherman* we stated: "[T]he Federal Rules do address in Rule 9(b) the question of the need for greater particularity in pleading certain actions, but do not include among the enumerated actions any reference to

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50. *Id.* at 168–69. Two years after *Leatherman* was announced, Congress passed the Private Securities Litigation Reform Act of 1995, which requires that complaints alleging securities fraud "state with particularity facts giving rise to a strong inference that the defendant acted with the requisite state of mind," if scienter is an element of the plaintiff's claim. 15 U.S.C. § 78u-4(b)(2) (2000). It also requires that the complaint "specify each statement alleged to have been misleading, the reason or reasons why the statement is misleading, and, if an allegation regarding the statement or omission is made on information and belief, the complaint shall state with particularity all facts on which that belief is formed." § 78u-(4)(b)(1). Complaints which fail to meet these requirements—which are more strict than Rule 9(b)—may be dismissed. § 78u-4(b)(3). The Act further provides that discovery is stayed pending resolution of a motion to dismiss "unless the court finds upon the motion of any party that particularized discovery is necessary to preserve evidence or to prevent undue prejudice to that party." § 78u-4(b)(3)(B).

51. 534 U.S. 506 (2002).

52. *Id.* at 508.

53. *Id.* at 509.



complaints alleging municipal liability under § 1983. *Expressio unius est exclusio alterius.*" Just as Rule 9(b) makes no mention of municipal liability under . . . 42 U.S.C. § 1983 . . . neither does it refer to employment discrimination. Thus, the complaints in these cases, as in most others, must satisfy only the simple requirements of Rule 8(a).<sup>54</sup>

In addition to once again giving the rule a strict, literal interpretation, the Court precluded any judicial inquiry into whether imposing a heightened pleading requirement would serve significant policies:

Respondent argues that allowing lawsuits based on conclusory allegations of discrimination to go forward will burden the courts and encourage disgruntled employees to bring unsubstantiated suits. *Whatever the practical merits of this argument*, the Federal Rules do not contain a heightened pleading standard for employment discrimination suits. A requirement of greater specificity for particular claims is a result that "must be obtained by the process of amending the Federal Rules, and not by judicial interpretation." Furthermore, Rule 8(a) establishes a pleading standard without regard to whether a claim will succeed on the merits.<sup>55</sup>

While a few courts after *Leatherman* but before *Swierkiewicz* saw room for exceptions and limitations, *Swierkiewicz* has been seen by most to remove all doubt: Rule 9(b) is the specific and exclusive exception in the Federal Rules to the rule that pleadings must only provide notice, not evidence.<sup>56</sup> As one district court put it, "all civil actions are governed by Rule 8(a)'s liberal pleading requirement, unless specifically delineated in Rule 9(b)."<sup>57</sup>

The Court's strict construction of Rule 9(b) and the dominance of

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54. *Id.* at 512–13 (alteration in original) (citations omitted) (footnotes omitted).

55. *Id.* at 514–15 (citation omitted) (emphasis added).

56. See *In re Bayside Prison Litig.*, 190 F. Supp. 2d 755, 763–64 (D.N.J. 2002) (noting the split that existed after *Leatherman* concerning propriety of imposing heightened pleading requirements in certain civil rights cases, but concluding that *Swierkiewicz* eliminates any room for such requirement); see also *Greenier v. Pace*, Local No.1188, 201 F. Supp. 2d 172, 176 (D. Me. 2002) (noting that *Swierkiewicz* clearly affected prior regional circuit law on pleading requirements).

57. *Bayside*, 190 F. Supp. 2d at 764.

notice pleading are also principles shared by the leading commentators. For example, Professors Wright and Miller endorse a narrow construction of Rule 9(b):

By its terms, the particularity requirement in Rule 9(b) applies only to averments of fraud. Since the rule is a special pleading requirement and contrary to the general approach of simplified pleading adopted by the federal rules, its scope of application should be construed narrowly and not extended to other legal theories or defenses.<sup>58</sup>

None of these observations regarding the scope of Rule 9(b) has been applied to the question of whether Rule 9(b) encompasses inequitable conduct. With these principles firmly in mind, this task will be embarked upon in the following sections.<sup>59</sup>

#### *B. Claims of Actual Fraud on the Patent Office and Walker Process Claims are Within Rule 9(b)*

It is clear that Rule 9(b) applies to claims of actual *fraud* committed on the Patent Office. Consequently, a defendant asserting that a patent has been obtained through actual fraud on the Patent Office must comply with Rule 9(b).

A claim that an applicant committed fraud on the Patent Office is colloquially known as a "*Walker Process*" claim.<sup>60</sup> The elements of a *Walker Process* claim include proof of "independent and clear evidence of deceptive intent [by an applicant] together with a clear showing of reliance, *i.e.*, that the patent would not have issued but for the misrepresentation or omission."<sup>61</sup> *Walker Process* claims are affirmative claims for relief, not merely affirmative defenses to patent infringement.<sup>62</sup> The Federal Circuit has equated *Walker Process* claims

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58. WRIGHT & MILLER, *supra* note 34, § 1297 at 615 (footnotes omitted).

59. Somewhat ironically, one court cited *Swierkiewicz* in connection with a different issue while holding that Rule 9(b) applied to inequitable conduct. See *Davidson v. Cao*, 211 F. Supp. 2d 264, 285 (D. Mass. 2002).

60. This name is drawn from the case of *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965). See *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1169–70 (Fed. Cir. 1998) (explaining *Walker Process* fraud).

61. *Nobelpharma*, 141 F.3d at 1169–70.

62. *Id.* at 1171.

with "common law fraud."<sup>63</sup> Accordingly, because the elements of the two are essentially indistinguishable, both are subject to Rule 9(b).<sup>64</sup>

### C. Inequitable Conduct is Not Covered by Rule 9(b)

Rule 9(b) applies to "fraud" and "mistake."<sup>65</sup> "Inequitable conduct" is plainly not mistake,<sup>66</sup> and so it falls within Rule 9(b) only if it is fraud. The following shows, first, that the statutory basis authorizing inequitable conduct as a defense does not characterize it as fraud. Second, it shows that, despite loose language in numerous opinions referring to inequitable conduct as fraud on the Patent Office, it is not fraud. In fact the Federal Circuit has held that inequitable conduct is not fraud for every purpose that has arisen.

#### 1. The Statutory Basis for the Argument that Inequitable Conduct is Not "Fraud"

Section 282 recognizes unenforceability as a defense to patent infringement.<sup>67</sup> Rule 9(b) requires that fraud—not unenforceability—be plead with particularity. Thus, viewed strictly from the *Leatherman* perspective of what Rule 9(b) expressly covers, Rule 9(b) does not apply to claims of unenforceability.<sup>68</sup>

While this argument appears literalistic, a review of other intellectual property statutes demonstrates that Congress knew how to draft statutes permitting fraud as a defense. Most pertinent is that the Lanham Act authorizes cancellation of trademarks that were

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63. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 807 (Fed. Cir. 2000) ("This court has previously distinguished 'inequitable conduct' from common law or '*Walker Process*' fraud.").

64. District courts apply Rule 9(b) to *Walker Process* claims. *See, e.g.*, *Miller Pipeline Corp. v. British Gas PLC*, 69 F. Supp. 2d 1129, 1135 (S.D. Ind. 1999); *see also* *Horwitz v. Movado Watch Agency, Inc.*, 364 F. Supp. 687, 690 (S.D.N.Y. 1973) (assuming Rule 9(b) applied to antitrust claim based upon fraud before the Patent Office); *PPG Indus., Inc. v. Celanese Coatings Co.*, 176 U.S.P.Q. 235 (D. Md. 1972).

65. *See* FED. R. CIV. P. 9(b).

66. *Paragon Podiatry Lab., Inc v. KLM Labs, Inc.*, 984 F.2d 1182, 1192 (Fed. Cir. 1993). A good faith mistake by an applicant does not constitute inequitable conduct; instead, there must be proof of an intent to mislead or deceive the Patent Office. *Id.* at 1192. Thus, inequitable conduct is not mistake.

67. *See supra* note 4 and accompanying text.

68. In *Swierkiewicz v. Sorema N. A.*, 534 U.S. 506 (2002), the Supreme Court reasoned that "[j]ust as Rule 9(b) makes no mention of municipal liability under . . . 42 U.S.C. § 1983 . . . , neither does it refer to employment discrimination." *Id.* Neither does Rule 9(b) refer to 35 U.S.C. § 282, unenforceability, or inequitable conduct.

fraudulently procured.<sup>69</sup> The elements of a claim for fraudulently procuring a trademark are indistinguishable from common law fraud.<sup>70</sup> Consequently, claims for fraudulently procuring a trademark are subject to Rule 9(b) because the statute makes fraud a defense.<sup>71</sup>

The language used by the Patent Act to authorize unenforceability as a defense thus stands in stark contrast to the language used by the Lanham Act to allow cancellation of trademark procured through fraud. Unenforceability is not fraud, and is therefore not covered by Rule 9(b).

## 2. Proof of Inequitable Conduct Does Not Require Proof of Fraud

It is "deceptively simple"<sup>72</sup> to conclude that inequitable conduct is within the scope of Rule 9(b) because inequitable conduct has long been referred to as fraud on the Patent Office,<sup>73</sup> and the cases referring to inequitable conduct as such are legion.<sup>74</sup> As shown below, however, in those cases where the Federal Circuit has defined the precise nature of inequitable conduct, it has recognized that inequitable conduct does not require proof of fraud in that there is no requirement for proof that the examiner relied on the misrepresentation or omission. Without this element, fraud on the Patent Office clearly is not akin to common law fraud.<sup>75</sup>

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69. Lanham Act § 38, 15 U.S.C. § 1120 (2000). This section provides:

Any person who shall procure registration in the Patent and Trademark Office of a mark by a false or fraudulent declaration or representation, oral or in writing, or by any false means, shall be liable in a civil action by any person injured thereby for any damages sustained in consequence thereof.

*Id.*; see also *Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc.*, 841 F. Supp. 1339, 1353 (E.D.N.Y. 1994) (discussing claim).

70. *Dial-A-Mattress Operating Corp.*, 841 F. Supp. at 1353 (party asserting fraudulent procurement must prove "the essential elements of a fraud claim by clear and convincing evidence.") (listing elements).

71. *King Automotive, Inc. v. Speedy Muffler King, Inc.*, 667 F.2d 1008, 1010 (C.C.P.A. 1981) ("Rule 9(b) requires that the pleadings contain explicit rather than implied expressions of the circumstances constituting fraud."); *Thomas Indus., Inc. v. L.E. Mason Co.*, No. 90 C 4099, 1991 WL 83821 (N.D. Ill. May 12, 1991) (holding 9(b) applied to claim for fraudulent procurement of trademark).

72. Weidinger, *supra* note 32, at 1197.

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

74. See, e.g., cases cited *infra* note 89.

75. A prior commentator argued that inequitable conduct was not "fraud" because (1) the elements differed; (2) proof of inequitable conduct does not result in liability, only unenforceability; (3) "fraud invalidates patent claims, while . . . inequitable conduct renders the entire patent unenforceable;" (4) licensees may have greater rights to receive refunds of

Foremost, the Federal Circuit has distinguished *Walker Process* claims from inequitable conduct on the basis that *Walker Process* requires proof of fraud, but inequitable conduct does not.<sup>76</sup> Specifically, in 2000, the Federal Circuit, in *In re Spalding Sports Worldwide, Inc.*,<sup>77</sup> specifically and at length distinguished inequitable conduct from *Walker Process* fraud and squarely held that, for purposes of determining whether inequitable conduct constituted fraud in terms of the crime-fraud exception to the attorney-client privilege, "inequitable conduct" is not by itself common law fraud."<sup>78</sup> *Spalding Sports* addressed whether an accused infringer could pierce the attorney-client privilege being claimed by the patentee over certain documents due to the crime-fraud exception. The accused infringer argued that its allegation of inequitable conduct was sufficient to pierce the privilege; the patentee contended that to pierce the privilege, the accused infringer had to show

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royalties if fraud and not merely inequitable conduct is proven; and (5) judges decide whether inequitable conduct occurred, while juries typically decide fraud claims. Weidinger, *supra* note 32, at 1197–98. The conclusion is correct, but the support is subject to challenge.

The fact that the elements of inequitable conduct differ from fraud is pertinent, since it suggests inequitable conduct is not fraud. *Expressio unius est exclusio alterus*.

The fact that inequitable conduct is a defense, and not a claim for money changes, does not take it outside of Rule 9(b) since claims of fraudulent inducement are covered by Rule 9(b), as are other fraud-based defenses. See *Williams v. Nat'l Housing Exchange, Inc.*, 110 F. Supp. 2d 694, 699–700 & n.2 (N. D. Ill. 2000) (holding defense of fraudulent inducement is subject to Rule 9(b)) (citing *WRIGHT & MILLER, supra* note 34, § 1297 at 616).

The argument that fraud invalidates claims, but inequitable conduct renders patents unenforceable, is legally incorrect. While inequitable conduct does render patent unenforceable, *J.P. Stevens & Co. v. LexTex Ltd., Inc.*, 747 F.2d 1553, 1560–61 (Fed. Cir. 1984) (squarely holding that inequitable conduct renders a patent unenforceable), fraud is not a basis for invalidity of a claim. See 35 U.S.C. § 282 (1)-(4) (2000) (limiting defense to infringement to those stated in certain sections of the Patent Act). As noted above, fraud may serve as the basis for a *Walker Process* claim. See *supra* note 60 and accompanying text.

Whether or not a third party may have greater rights if a patent is found to have been obtained through fraud, as opposed to having been procured through inequitable conduct, merely restates in a different context the proposition that fraud results in potential liability while inequitable conduct is an affirmative defense. The only case cited, *Transition Electronic Corp. v. Hughes Aircraft Co.*, 487 F. Supp. 885, 892–94 (D. Mass. 1980), *aff'd*, 649 F.2d 871 (1st Cir. 1981), held that a licensee may use inequitable conduct as a means to avoid paying royalties, but must show "*Walker Process*" type fraud to obtain affirmative relief.

The fact that judges determine whether inequitable conduct has occurred, and juries typically decide fraud claims, is not probative of whether inequitable conduct is fraud.

76. *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1069–71 (Fed. Cir. 1998).

77. 203 F.3d 800 (Fed. Cir. 2000).

78. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 807 (Fed. Cir. 2000).

"common law or '*Walker Process*' fraud."<sup>79</sup>

The Federal Circuit recognized that the crime-fraud exception applied only if "the communication was made 'in furtherance of' a crime or fraud."<sup>80</sup> After explaining that it had "previously distinguished 'inequitable conduct' from common law or '*Walker Process*' fraud"<sup>81</sup> the court went on to hold that inequitable conduct "in fact is a lesser offense than common law fraud," and, as such, "is not by itself common law fraud."<sup>82</sup> As a result, pleading inequitable conduct did not plead fraud in terms of the crime-fraud exception; hence, privilege was upheld.<sup>83</sup>

In light of the repeated admonitions from the Supreme Court that the courts are not free to apply heightened pleading standards to claims other than fraud or mistake—even if public policy demands it—the Federal Circuit's holding that inequitable conduct is *not* fraud means that inequitable conduct necessarily cannot be covered by Rule 9(b).<sup>84</sup>

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79. *Id.* at 806–07.

80. *Id.* at 807.

81. *Id.*

82. *Id.* The court went on to state:

In the present case, despite the district court's statement that "Wilson has shown that a material misrepresentation may have been made to the PTO, which resulted in issuance of the patent at issue," we conclude that Wilson has not made a *prima facie* showing that the invention record was made in furtherance of fraud during the prosecution of the '178 patent. Although the party seeking to overcome the attorney-client privilege need not conclusively prove fraud, or necessarily submit direct evidence to make a *prima facie* showing of fraud, Wilson's mere allegation of Spalding's failure to cite a reference to the PTO will not suffice. In actuality, a citation of prior art in an invention record in the absence of evidence of a purpose to conceal that art would seem to be the opposite of furthering fraud; it informs the patent attorney or agent of the closest prior art. What the attorney then does with that information is another matter, but inclusion of the closest prior art in an invention record does not alone provide evidence of furthering a fraud. Because Wilson failed to provide any evidence of fraudulent intent, we conclude that the crime-fraud exception does not apply, and that Spalding's invention record is protected by the attorney-client privilege.

*Id.* at 808 (citations omitted). Based upon this passage, one could argue that the actual holding of the decision is the lack of proof of intent to deceive. However, the court's emphasis that there must be a *prima facie* showing of fraud—as opposed to inequitable conduct—is consistent with the court's repeated statements that a showing of inequitable conduct was insufficient to constitute fraud for purposes of the crime-fraud exception. Put simply, after distinguishing fraud from inequitable conduct, and holding that only proof of the former would satisfy the crime-fraud exception, the court would not have continued to refer to the need for a *prima facie* showing of fraud if a showing of inequitable conduct sufficed.

83. *Id.* at 808.

84. The alternative, of course, is that inequitable conduct could be fraud for purposes of

Despite this clarity, only the United States District Court for the Northern District of California, in *Quantum Corp. v. Western Digital Corp.*,<sup>85</sup> has recognized the distinction between fraud and inequitable conduct and rejected a patentee's reliance on Rule 9(b) as "misplaced." The court held that inequitable conduct "does not give rise to the level of common law fraud which is the subject of Rule 9(b)."<sup>86</sup> As shown above, this distinction was correct—inequitable conduct is not fraud and is therefore not covered by Rule 9(b).<sup>87</sup>

However, every single court to consider the *Quantum* court's conclusion, including a judge from the very district that issued the opinion, has rejected it.<sup>88</sup> Courts routinely reject the *Quantum* holding on one of three grounds. Some courts reason that because inequitable conduct has been referred to as fraud on the Patent Office, it must be fraud in terms of Rule 9(b).<sup>89</sup> Others erroneously hold that inequitable

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Rule 9(b) and no other. That conclusion, however, could likely be justified on policy grounds, an avenue foreclosed by *Leatherman v. Tarrant County Narcotics Intelligence and Coordination Unit*, 507 U.S. 163 (1992).

85. 10 U.S.P.Q.2d 1712, 1713 (N.D. Cal. 1988).

86. *Id.* In one other decision, a court concluded that it was "unclear" whether 9(b) applied. See *Scripps Clinic v. Baxter Travenol Lab. Inc.*, 7 U.S.P.Q.2d 1562 (D. Del. 1988) (reasoning that it did not need to decide whether it applied because defendant's pleading met 9(b)); see also *Elkhart Brass Mfg. Co. v. Task Force Tips, Inc.*, 867 F. Supp. 782, 784 (N.D. Ind. 1994) ("[W]ithout engaging in a drawn-out analysis of whether Fed. R. Civ. P. 9(b) applies to the issue of inequitable conduct, the court finds that this argument is quibbling; the defendant has laid out its factual background for both claims.")

87. See *supra* notes 72–83 and accompanying text.

88. See *Treach v. Nextel Comm., Inc.*, 52 U.S.P.Q.2d 1638, 1639 (D. Ariz. 1999) (noting that subsequent courts had rejected *Quantum*); *Systemation, Inc. v. Engel Indus., Inc.*, 183 F.R.D. 49, 51 (D. Mass. 1998) (questioning vitality of *Quantum*); *Samsung Elec. Co. v. Texas Instruments Inc.*, 39 U.S.P.Q.2d 1673, 1675 n.4 (N.D. Tex. 1996) (questioning reasoning of *Quantum*); *Chiron Corp. v. Abbott Labs.*, 156 F.R.D. 219 (N.D. Cal. 1994) (noting that the same judge that decided *Quantum* had previously held that Rule 9(b) applied to inequitable conduct claims); *Laitram Corp. v. OKI Elec. Indus. Co.*, 30 U.S.P.Q.2d 1527 (E.D. La. 1994) (rejecting *Quantum*); *Xilinx, Inc. v. Altera Corp.*, 33 U.S.P.Q.2d 1149, 1151 (N.D. Cal. 1993) (in noting that most courts hold that 9(b) applies, the court criticized *Quantum* because the court "did not distinguish, discuss or even recognize its prior holdings to the contrary . . ."); *IPPV Enterprises v. Cable/Home Comm.*, 25 U.S.P.Q.2d 1894, 1896 (S.D. Cal. 1992) (rejecting *Quantum*).

89. See, e.g., *Davidson v. Cao*, 211 F. Supp. 2d 264, 285 (D. Mass. 2002) ("[A]n inequitable conduct claim is markedly similar to a fraud claim."); *Agere Sys. Guardian Corp. v. Proxim, Inc.*, 190 F. Supp. 2d 726, 734, (D. Del. 2002) ("[A]llegations of inequitable conduct (i.e., fraud before the Patent Office) in patent cases, like other allegations of fraud, are subject to the requirements of Rule 9(b)."); *ASM Am., Inc. v. Genus, Inc.*, No. 01-2190 EDL, 2002 WL 24444 (N.D. Cal. Jan. 9, 2002) ("Allegations of inequitable conduct involve fraud and" so Rule 9(b) controls); *Townshend v. Rockwell Int'l Corp.*, 55 U.S.P.Q.2d 1011, 1024 (N.D. Cal. 2000) ("Allegations of inequitable conduct involve fraud and as such are subject to

conduct requires proof of fraud.<sup>90</sup> The third group correctly recognizes that inequitable conduct does not require proof of fraud, but nonetheless reason that, since fraudulent conduct *could* constitute inequitable conduct, that *all* claims of inequitable conduct are within Rule 9(b), even though they do not necessarily require proof of fraud.<sup>91</sup>

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the heightened pleading requirements of Fed. R. Civ. P. 9(b)."); *Systemation, Inc. v. Engel Indus., Inc.*, 183 F.R.D. 49, 51 (D. Mass. 1998) ("[C]ourts have reasoned that Rule 9(b) should apply since inequitable conduct is a form of fraud."); *Sun Microsystems, Inc. v. Dataram Corp.*, No. CIV. 96-20708 SW, 1997 WL 50272, at \*4 (N.D. Cal. Feb. 4, 1997) ("The defense of inequitable conduct or 'fraud on the patent office,' falls within the general terms of Fed. R. Civ. P. 9(b) . . ."); *Advanced Cardiovascular Sys. Inc. v. Medtronic Inc.*, 41 U.S.P.Q.2d 1770, 1775 (N.D. Ill. 1996) ("Since this allegation is essentially a fraud claim, defendant must plead this claim with the particularity required under Rule 9(b)."); *Samsung Elec. Co. v. Texas Instruments Inc.*, 39 U.S.P.Q.2d 1673, 1675 n.4 (N.D. Tex. 1996) (reasoning that 9(b) applied to inequitable conduct claims since "all averments of fraud" must be plead with particularity and "inequitable conduct has been called 'fraud on the patent office.'" (quoting *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988)); *Heidelberg Harris Inc. v. Mitsubishi Heavy Indus., Inc.*, 42 U.S.P.Q.2d 1369, 1372 (N.D. Cal. 1996) ("claims of fraud, including claims of inequitable conduct, should be supported by specific allegations . . ."); *Chiron*, 156 F.R.D. 219, 222 (N.D. Cal. 1994) ("Rule 9(b) does not, on its face, confine its commands to common law fraud, but instead encompasses all averments, including, by definition, inequitable conduct, which has been called 'fraud on the patent office.'" (quoting *Burlington*, 849 F.2d at 1422); *Intel Corp. v. Hyundai Elec. Am., Inc.*, 692 F. Supp. 1113, 1115 (N.D. Cal. 1987) (holding that "fraud on the Patent Office" is covered by Rule 9(b)).

90. *See, e.g.*, *The Wicker Group v. The Standard Register Co.*, 33 U.S.P.Q.2d 1678, 1679 (E.D. Va. 1994) (reasoning that, to show inequitable conduct, fraud must be shown); *N. Eng'g & Plastics Corp. v. Blackhawk Molding Co.*, 205 U.S.P.Q. 609, 609-10 (N.D. Ill. 1979) (holding that the same level of proof was required for fraud as for inequitable conduct).

91. *See, e.g.*, *Laitram*, 30 U.S.P.Q.2d at 1533 ("While the defense of 'inequitable conduct' . . . is broader than the defense of 'common law fraud,' . . . 'allegations of "inequitable conduct" . . . like other allegations of fraud, are subject to . . . Rule 9(b) . . .'); *IPPV Enterp. v. Cable/Home Communications*, 25 U.S.P.Q.2d 1894, 1896 (S.D. Cal. 1992) (recognizing distinction between elements of common law fraud and inequitable conduct, and also the different consequences flowing from such proofs, but then reasoning that "inequitable conduct is a broader form of common law fraud" and so Rule 9(b) applied); *Micro Motion, Inc. v. Exac Corp.*, 112 F.R.D. 2, 3 (N.D. Cal. 1985) (after noting that "[f]raud on the Patent Office is viewed as broader than common law fraud" as it encompassed "both technical fraud and a wider range of inequitable conduct," the court nonetheless held that "fraud on the Patent Office" is included within Rule 9(b)).

The court in *Scripps Clinic and Research Fund v. Baxter Travenol Laboratories, Inc.*, 7 U.S.P.Q.2d 1562, 1563 (D. Del. 1988), gave this issue the most extensive analysis stating that "[w]hile the terms fraud and inequitable conduct are sometimes used synonymously, they are distinct defenses covering different conduct and leading to different consequences." The court concluded that fraud was covered by Rule 9(b), but that it was "unclear" whether Rule 9(b) applied to inequitable conduct. *Id.* The court was correct that fraud and inequitable conduct are distinct. However, the court incorrectly reached that conclusion by reasoning that fraud "involves the 'misrepresentation of a material fact' to the PTO, while inequitable conduct involves the omission of a material fact, as well as the misrepresentation of information." *Id.* (quoting *J.P. Stevens & Co. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1559 (Fed.



The first two lines of reasoning are incorrect in that inequitable conduct does not require proof of fraud, as shown above. The third line of reasoning also fails: merely because a defendant might allege fraud does not mean that, when he has *not* done so, he still must meet Rule 9(b). If the defendant has pleaded only inequitable conduct, and not common law or *Walker Process* fraud, he cannot be subject to Rule 9(b).<sup>92</sup>

The same distinction—as fine as it is—is made under Rule 9(b) in analogous contexts. For example, where a plaintiff pleads breach of fiduciary duty,<sup>93</sup> Rule 9(b) is not implicated; however, where he pleads

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Cir. 1984)). The *J.P. Stevens* court did not suggest that omission and commission distinguished inequitable conduct and fraud, and in fact inequitable conduct can occur through either omission or commission. *See supra* notes 5, 75.

The *Scripps* court also erroneously stated that the consequences of "fraud leads to patent invalidity, while a charge of inequitable conduct leads to patent unenforceability." *Scripps*, 7 U.S.P.Q.2d at 1563 (citing 2 P. ROSENBERG, PATENT LAW FUNDAMENTALS § 15.08 at 15–126 (2d ed. 1987)). As shown above, the consequences of committing common law fraud are unenforceability and, if the other elements are proven, affirmative relief is in the form of a *Walker Process* antitrust claim—the consequence of inequitable conduct is unenforceability. *See supra* note 75 and accompanying text; *IPPV*, 25 U.S.P.Q.2d at 1896 (explaining different consequences of fraud and inequitable conduct).

92. The distinctions between *Walker Process* fraud and inequitable conduct are many. The elements differ. *See supra* notes 60–64, 76–79 and accompanying text. The consequences also differ: a *Walker Process* claim is an affirmative claim for money damages—automatically trebled under the antitrust laws—while a holding of inequitable conduct merely renders the patent unenforceable. The only affirmative relief an inequitable conduct defense can bring is an injunction against enforcement of the patent and, in "exceptional cases," possibly an award of attorneys' fees. *See Frank's Casing Crew & Rental Tools, Inc. v. PMR Tech., Ltd.*, 63 U.S.P.Q. 2d 1065 (Fed. Cir. 2002). Because an award of attorneys fees is also available where invalidity is proven in an "exceptional case," *Transclean Corp. v. Bridgewood Serv. Inc.*, 290 F.3d 1364, 1378–79 (Fed. Cir. 2002). The only difference between the consequences of invalidity and unenforceability is that invalidity is determined on a claim-by-claim basis while inequitable conduct renders the entire patent (and, potentially, related patents) unenforceable. *See supra* notes 18–19 and accompanying text.

93. Courts have regularly described the obligations that an attorney owes to the Patent Office as involving the "highest standards of honesty and candor on the part of applicants . . ." *Hycor Corp. v. Schlueter Co.*, 740 F.2d 1529, 1538 (Fed. Cir. 1984) (quoting *Norton v. Curtiss*, 433 F.2d 779, 794 (C.C.P.A. 1970)). The Supreme Court in its only decision discussing the doctrine, *Precision Instrument*, stated that applicants "have an uncompromising duty to report to [the Patent Office] all facts concerning possible fraud or inequitable conduct underlying the applications at issue." *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 818 (1945).

No doubt as a result of such formulations of the duty, several courts have held or stated that an applicant owes the Patent Office "a fiduciary-like duty." *Norton v. Curtiss*, 433 F.2d 779, 795 (C.C.P.A. 1970); *Avco Corp. v. PPG Indus., Inc.*, 867 F. Supp. 84, 89 (D. Mass. 1994) (describing relationship between applicants and Patent Office as involving "confidence and trust" and concluding that the duty was "one of utmost candor, akin to that of a fiduciary

that the breach of fiduciary duty was done fraudulently, then Rule 9(b) applies.<sup>94</sup> Likewise, only where a claim under Section 11 or the Securities Act of 1933<sup>95</sup> "sounds in fraud" or has "fraud at its core" must it be pleaded in compliance with Rule 9(b).<sup>96</sup>

In light of the distinction between fraud and inequitable conduct, a defendant who pleads the affirmative defense of inequitable conduct must only comply with Rule 8. If the defendant seeks affirmative relief and alleges that the conduct was fraudulent in terms of the common law or *Walker Process*, then it must be pleaded with particularity under Rule 9(b).

*Leatherman* and *Swierkiewicz* foreclose inquiry into whether public policy would be best served by requiring inequitable conduct to be pleaded in accordance with Rule 9(b). Inequitable conduct is not fraud or mistake, so it is not covered.

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duty.").

94. *See Firestone v. Firestone*, 76 F.3d 1205, 1211 (D.C. Cir. 1996) (holding Rule 8, not 9(b), applied to breach of fiduciary duty claims); *Concha v. London*, 62 F.3d 1493, 1503 (9th Cir. 1995) (explaining basis for applying Rule 9(b) to fraudulent but not innocent breach of fiduciary duty claims); *Official Comm. of Unsecured Creditors v. Donaldson, Lufkin & Jenrette Sec. Corp.*, No. CIV. 8688, 2002 WL 362794, at \*8 (S.D.N.Y. March 6, 2002) (reasoning that Rule 9(b) did not require pleading of breach of fiduciary duty claim with particularity since the defendant "may be found to have breached its fiduciary duty . . . by conduct not amounting to fraud, such as by breaching its duties of care, disclosure, and loyalty."); *Sheldon v. Vermonty*, 31 F. Supp. 2d 1287, 1295 (D. Kan. 1998) ("A plaintiff pleading a claim for breach of fiduciary duty need only comply with Rule 8 (notice pleading), not Rule 9(b), because this claim is not based on fraud."); *Shapiro v. Miami Oil Producers, Inc.*, 84 F.R.D. 234, 236 (D. Mass. 1979) (holding that Rule 9(b) "does not extend to allegations of breach of duty, whether or not characterized as fiduciary, by conduct not amounting to fraud or mistake."). However, "a claim for breach of fiduciary duty must be pled with particularity where the alleged breach itself is a scheme to defraud." *Precision Vascular Sys., Inc. v. Sarcos L.C.*, 199 F. Supp. 2d 1181, 1191 (D. Utah 2002).

Like a non-fraudulent breach of fiduciary duty, proof of inequitable conduct does not require proof of fraud. *See supra* notes 72–83 and accompanying text. Thus, inequitable conduct is outside the scope of Rule 9(b) for the same reason that non-fraudulent claims for breach of fiduciary duty are. Conversely, where the same conduct—whether it be breach of fiduciary duty or breach of Rule 1.56—is done fraudulently, then Rule 9(b) applies.

95. 15 U.S.C. § 77k (2000).

96. *In re Stac Elecs. Sec. Litig.*, 89 F.3d 1399, 1404–05 (9th Cir. 1996) (Rule 9(b) applies to Section 11 claims that sound in fraud); *Melder v. Morris*, 27 F.3d 1097, 1100 n.6 (5th Cir. 1994) (Rule 9(b) applies when Section 11 claim is "grounded in fraud rather than negligence"); *Shapiro v. UJB Fin. Corp.*, 964 F.2d 272, 288 (3d Cir. 1992) (Rule 9(b) only applies to Section 11 claims it "grounded" in fraud). When a Section 11 claim does not allege fraud, it cannot be dismissed for failing to comply with Rule 9(b). *Lone Star Ladies Inv. Club v. Schlotzsky's Inc.*, 238 F.3d 363, 368 (5th Cir. 2001).

#### IV. THE CLOSE QUESTION OF WHETHER THE PURPOSE AND POLICIES OF RULE 9(b) ARE SERVED BY ITS APPLICATION TO INEQUITABLE CONDUCT

Even assuming *Leatherman*, *Swierkiewicz*, and *Spalding* do not preclude application of Rule 9(b) to inequitable conduct claims, it is at best a close question as to whether the policies served by Rule 9(b) are furthered by applying it to inequitable conduct claims. Those policies are generally stated to include: (1) requiring greater pre-suit investigation of fraud claims because of the harm that publicly airing charges can cause;<sup>97</sup> (2) providing notice to the defendant of the nature of the claim; (3) setting parameters for the scope of discovery and relevance at trial; and (4) providing a mechanism for disposition on the merits.<sup>98</sup> These same concerns, as well as the need to avoid disqualification of trial counsel for the patentee—who may be witnesses with respect to the inequitable conduct claim if they prosecuted the patent<sup>99</sup>—have been cited by trial courts as justifying the application of

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97. See, e.g., *Ackerman v. Northwestern Mut. Life. Ins. Co.*, 172 F.3d 467, 469 (7th Cir. 1999). The court held:

Greater precomplaint investigation is warranted in fraud cases because public charges of fraud can do great harm to the reputation of a business firm or other enterprise (or individual), because fraud is frequently charged irresponsibly by people who have suffered a loss and want to find someone to blame for it, and because charges of fraud (and mistake, the other charge that Rule 9(b) requires be pleaded with particularity) frequently asks courts in effect to rewrite the parties' contract or otherwise disrupt established relationships.

*Id.*

98. *Marcus*, *supra* note 43, at 1755–56. Professor Marcus believes that the only purpose actually served by Rule 9(b) is to dispose of cases on the merits, and that even that narrow purpose justifies having the rule:

Although possible in only a small percentage of cases, merits disposition provides a principal reason for retaining pleading motions in the scheme of the rules. And it should not be thought that pleading motions further this goal only when they lead to a complete dismissal. A motion to dismiss that whittles a complaint with twenty claims down to two viable claims has not been a failure in terms of merits disposition.

*Id.* at 1756 (footnotes omitted). Others have stated that the only "defensible" purpose of Rule 9(b) is "to force the plaintiff to do more than the usual investigation before filing his complaint." *Ackerman*, 172 F.3d at 469; see also *WRIGHT & MILLER*, *supra* note 34, § 1296 (questioning utility of Rule 9(b)). "Whether the specificity in pleading requirement embodied in Rule 9(b) continues to serve these purposes is a matter of debate." *Cavanaugh*, *supra* note 27, at 7.

99. See *Chiron Corp. v. Abbott Labs*, 156 F.R.D. 219 (N.D. Cal. 1994).

Rule 9(b) to inequitable conduct. This section shows that these concerns present close questions and that countervailing public policies implicated by the patent system warrant applying Rule 9(b) to inequitable conduct claims very leniently, if at all.

*A. Application of Rule 9(b) to Inequitable Conduct Claims Does Not Further Public Policies*

At the outset, no court has confronted the central distinction between the typical fraud case and inequitable conduct—that the typical fraud plaintiff engaged in some sort of transaction with the defendant. As a result, the fraud plaintiff should have little difficulty in explaining how he was defrauded and seldom need discover the facts showing when and how fraud was accomplished.<sup>100</sup> The accused infringer is in a far different circumstance. The accused infringer often will have never dealt with the patentee before the filing of suit. More fundamentally, the fraud about which he is complaining happened to a third party—the Patent Office. The accused infringer is a stranger to the fraud. This distinction between inequitable conduct and fraud—overlooked by the courts—means that inequitable conduct is outside the fraud paradigm of the typical Rule 9(b) case. As next shown, this distinction also means that, whether or not Rule 9(b) furthers public policy in the typical fraud case, it potentially frustrates equally important public policies unique to the patent system.

1. Applying Rule 9(b) to Inequitable Conduct Claims Will Not Increase Pre-Suit Inquiry Because Inequitable Conduct is a Defense, Not an Affirmative Claim for Relief

A heightened pleading requirement has been justified on the basis that it requires plaintiffs to investigate their suit more thoroughly prior to filing a claim for fraud.<sup>101</sup> Put another way, some say that Rule 9(b)

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100. Even so, some courts have applauded the use of interrogatories by parties accused of fraud to determine the specifics when a pleading is insufficient, recognizing that using a contention interrogatory to ascertain the specifics both protects the party by eliminating "the potential prejudice or surprise to the party responding to the fraud claim that might arise from the insertion at some point in the litigation of unexpected and unpleaded allegations of misrepresentations," and also saves the courts and litigants time spent on litigating "the adequacy of the . . . pleading of fraud and the . . . attempt to replead the claim with the requisite particularity." *Schaller Tel. Co. v. Golden Sky Sys., Inc.*, 139 F. Supp. 2d 1071, 1099–1100 (N.D. Iowa 2001). Such an approach also keeps the details of the allegation from becoming public.

101. *See, e.g., Cavanaugh, supra* note 27, at 7.

will deter "actions filed solely to obtain discovery" regarding whether a fraud occurred.<sup>102</sup> Applying this general justification for the rule to the context of inequitable conduct, courts have reasoned that it is necessary to apply Rule 9(b) to inequitable conduct claims because "[v]ague allegations of inequitable conduct may also be the launching of a 'fishing expedition,' allowing the accuser to embark on wide-ranging discovery upon a thimble-full of facts."<sup>103</sup>

Clearly, where the accused infringer brings a declaratory judgment action, applying Rule 9(b) will preclude filing suits in order to conduct discovery. In the declaratory judgment context, one court properly reasoned that applying Rule 9(b) "prevents the filing of a complaint as a pretext for the discovery of unknown wrongs."<sup>104</sup> Accordingly, it held that the plaintiff had improperly pleaded inequitable conduct, since the accused infringer could only state that "discovery may serve to elucidate and bolster its pleadings."<sup>105</sup> In that procedural context, the court correctly reasoned that a "general allegation of inequitable conduct should not be used as a launching pad for extensive or unwarranted discovery, and holding [p]laintiff[s] to the strictures of Rule 9(b) may assist in discouraging that practice."<sup>106</sup>

In the more typical patent case, however, the accused infringer is a defendant. The defendant typically will have had little warning that it was allegedly infringing a patent and will not be in a position to have done much, if any, pre-suit discovery. Further, even if the soon-to-be-defendant had some warning of potential infringement and so could have obtained the prosecution history of the patent, it will have had the opportunity only to locate in the prosecution history affirmative misrepresentations concerning the scope or content of public information.<sup>107</sup> But any pre-suit investigation will, by reason of the

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102. *Id.*

103. *Chiron Corp.*, 156 F.R.D. at 222; *accord Heidelberg Harris, Inc. v. Mitsubishi Heavy Indus., Ltd.*, 42 U.S.P.Q.2d 1369, 1372 (N.D. Ill. 1996) (stating in dicta that applying Rule 9(b) to inequitable conduct claims "constrains the utilization of such claims to redressing wrongs committed, rather than to uncovering wrongs merely suspected."); *Optical Coating Lab., Inc. v. Applied Vision, Ltd.*, No. C-92-4689 MHP, 1995 WL 150513, at \*4 (N.D. Cal. Mar. 20, 1995).

104. *Samsung Elecs. Co. v. Texas Instruments, Inc.*, 39 U.S.P.Q.2d 1673, 1676 (N.D. Tex. 1996).

105. *Id.*

106. *Id.*

107. An examination of the prosecution history—which is the administrative record from the Patent Office—may reveal, for example, whether the applicant made statements

nature of patent prosecution, be incomplete. For example, the defendant will have had no opportunity to investigate omissions, such as whether the applicants knew but failed to disclose material information to the Patent Office. For these reasons, even if a pre-suit investigation is possible, it will be incomplete. In many instances, at the outset of the suit the accused infringer will have at most a thimble-full of facts and the need to discover whether the full facts reveal misconduct.

Thus, the argument that 9(b) must apply to inequitable conduct in order to forestall needless discovery fails to take into account the fact that inequitable conduct is an affirmative defense. Further, the details of the defense are found only in communications to which the defendant can never have had full, pre-suit access. Unlike the typical fraud plaintiff who was the victim of the fraud, the accused infringer must have discovery to determine whether a third party—the Patent Office—has been deceived. For these reasons, application of Rule 9(b) to inequitable conduct claims cannot be justified by stating that doing so will increase pre-suit investigation. In many cases, pre-suit investigation is not possible; and where it is possible, it is usually only partially available.

Ignoring these fundamental differences, however, courts have wrongly held with respect to inequitable conduct defenses that "it is improper to use discovery in search of a factual predicate required to be pleaded in the first instance."<sup>108</sup> The same courts wrongly denied motions to compel discovery designed to determine whether factual bases for inequitable conduct claims exist.<sup>109</sup> Either approach—if used

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about prior art or otherwise publically available information. If so, then the accused infringer can obtain and review that prior art or other information to compare against the representations made to the Patent Office to determine if a misrepresentation had been made. Review of the prosecution history cannot, however, show whether the applicant misrepresented information known only to the applicant, such as internal testing, or whether there had been prior sales. It also cannot show that the applicant knew of other public information, but failed to disclose it to the Patent Office.

108. *Solarex Corp. v. Arco Solar, Inc.*, 121 F.R.D. 163, 179 (E.D.N.Y. 1988) (collecting cases), *aff'd*, 870 F.2d 642 (Fed. Cir. 1989).

109. *Id.*

[A]bsent any indication that there is even a modicum of substance to Arco's hypothesis . . . [that inequitable conduct occurred], Arco's "need" for the requested discovery is reduced to its desire to uncover a factual predicate for its facially deficient "inequitable conduct" defense. That "need," will not support an order compelling discovery.

*Id.*

to preclude discovery into whether inequitable conduct occurred—creates practical difficulties for defendants and ignores the fact that a defendant cannot fully determine whether inequitable conduct occurred without taking discovery. It also deprives the only party with the statutory right to raise the defense from conducting discovery into it.

For these reasons, while it is true that applying Rule 9(b) to inequitable conduct will eliminate the ability of defendants to use the defense to discover whether inequitable conduct has occurred, the nature of inequitable conduct means that a defendant by definition cannot plead it, fully, without discovery. The Patent Office's need for litigants to enforce the duty of candor in Rule 1.56 can in these ways actually be frustrated by applying Rule 9(b) to inequitable conduct.

## 2. Applying Rule 9(b) to Inequitable Conduct May Decrease Its Use, but at a Cost to the Public

Some courts apply Rule 9(b) using the related justification that requiring a plaintiff to plead fraud with particularity protects reputations from public charges of moral turpitude.<sup>110</sup> In justifying application of Rule 9(b) to inequitable conduct claims, the courts have concluded that allowing "unfounded allegations of fraud" harms, not just the "integrity of reputable attorneys," but also of the "bar *in toto*," as well as "respectable clients, eminent experts, and honest patent examiners . . . ."<sup>111</sup> These courts reason that the judicial system itself has "a strong interest in weeding out allegations of inequitable conduct asserted in bad faith."<sup>112</sup> In this vein, numerous courts<sup>113</sup> have relied upon the following passage from the Federal Circuit to support applying

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110. *In re Frank B. Hall & Co., Inc.*, 693 F. Supp. 1460, 1465 (S.D.N.Y. 1988).

111. *Chiron Corp. v. Abbott Labs.*, 156 F.R.D. 219, 222 (N.D. Cal. 1994).

112. *Id.* at 223.

113. *See, e.g.*, *Davidson v. Cao*, 211 F. Supp. 2d 264, 285 (D. Mass. 2002); *Systemation, Inc. v. Engel Indus., Inc.*, 183 F.R.D. 49, 51 (D. Mass. 1998); *Samsung Elecs. Co. v. Texas Instruments Inc.*, 39 U.S.P.Q.2d 1673, 1675 (N.D. Tex. 1996); *Optical Coating Lab., Inc. v. Applied Vision Ltd.*, No. C-92-4689 HHP, 1995 WL 150513, at \*3 (N.D. Cal. Mar. 20, 1995); *Elkhart Brass Mfg. Co. v. Task Force Tips, Inc.*, 867 F. Supp. 782, 784 (N.D. Ind. 1994); *Chiron Corp.*, 156 F.R.D. at 221; *IPPV Enterp. v. Cable/Home Communications*, 25 U.S.P.Q.2d 1894, 1895 (S.D. Cal. 1993); *see also Heidelberg Harris, Inc. v. Mitsubishi Heavy Indus., Inc.*, 42 U.S.P.Q.2d 1369, 1372 (N.D. Ill. 1996) (stating in dicta that applying 9(b) "prevents claims of fraud from being used to impugn the integrity of attorneys involved in patent prosecutions without sufficient evidence that wrongdoing has in fact occurred . . .").

Rule 9(b) to inequitable conduct because doing so furthers important public policy of avoiding embarrassment:

[T]he habit of charging inequitable conduct in almost every major patent case has become an absolute plague. Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds, to represent their client's interests adequately, perhaps. They get anywhere with the accusation in but a small percentage of the cases, but such charges are not inconsequential on that account. They destroy the respect for one another's integrity, for being fellow members of an honorable profession, that used to make the bar a valuable help to the courts in making a sound disposition of their cases, and to sustain the good name of the bar itself. A patent litigant should be made to feel, therefore, that an unsupported charge of "inequitable conduct in the Patent Office" is a negative contribution to the rightful administration of justice. The charge was formerly known as 'fraud on the Patent Office,' a more pejorative term, but the change of name does not make the thing itself smell any sweeter.<sup>114</sup>

Even assuming that preventing the humiliation is a proper concern of the courts<sup>115</sup> and assuming further that the countervailing interest of the public in exposing unenforceable patents does not simply outweigh the patentee's interest in avoiding public embarrassment,<sup>116</sup> this concern seems both exaggerated and misplaced. At the outset, the Federal Circuit took a major substantive step toward eradicating this plague the same year it was diagnosed, when the court made it clear that proof of gross negligence was insufficient to support a finding of inequitable conduct. The change, from gross neglect to a requirement of intent to deceive,<sup>117</sup> no doubt reduced the number of claims. Second, as shown below, inequitable conduct has in recent years been pleaded in roughly

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

115. *See supra* note 40.

116. As noted above, the Patent Office no longer investigates whether material information was withheld with an intent to deceive. *See supra* notes 23–24 and accompanying text. The public's interest in ensuring patents are not granted based upon misrepresentation must be weighed against a patentee's embarrassment at being accused of misconduct. *Id.*

117. *See supra* note 15 and accompanying text. Under Rule 11, of course, a defendant can plead inequitable conduct only if it has "evidentiary support." FED. R. CIV. P. 11(b)(3). Necessarily, the change from gross neglect to intent to deceive means that inequitable conduct can properly be plead in narrower circumstances.



one of five cases, and has been successful in roughly one of five cases where it has been plead.<sup>118</sup> What little empirical evidence there is indicates that the success rate of inequitable conduct defenses is not significantly different than for other defenses,<sup>119</sup> which suggests that inequitable conduct is no more a plague than are claims of invalidity.

Putting that to the side, and even assuming the plague is still sufficiently widespread to be in need of an antidote, application of Rule 9(b) is at best a placebo, not a cure. First, the notion that a patent examiner's reputation is harmed by an allegation that a patent applicant deceived her seems incongruous.<sup>120</sup> If anything, patent examiners have an interest in ensuring that any deception practiced upon them is brought to light and punished. Indeed, because the Patent Office does not investigate whether information was withheld intentionally,<sup>121</sup> private litigants are the only parties with the right and resources to enforce the duty of candor. The only party who can help the Office ensure that the duty of candor is met is the accused infringer.

Honest attorneys and clients are impugned, however, when a false assertion of inequitable conduct is made. Rather than protecting their reputations from public tarnishment, however, applying Rule 9(b) to inequitable conduct claims will result in precisely the opposite: if Rule 9(b) does not apply, the details of any misconduct will be pleaded only in response to interrogatory answers; if Rule 9(b) applies, then the details will be aired in public pleadings. Thus, the reputations of those people who are harmed by truly baseless assertions of inequitable conduct would probably be better protected if the details of such claims were not made in pleadings.

For these reasons, and to the extent that concern of the courts over "public humiliation" is a legitimate concern that is not, in any event, outweighed by the compelling need to identify patents obtained through deception, applying Rule 9(b) to inequitable conduct will not reduce public humiliation and instead may exacerbate it.<sup>122</sup>

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118. See *infra* notes 150–52 and accompanying text.

119. See *id.*

120. Likewise, experts (as such) are not impugned by assertions of inequitable conduct. An expert retained by a patentee accused of inequitable conduct faces no personal taint.

121. See *supra* notes 23–24 and accompanying text.

122. Even assuming otherwise, to the extent empirical evidence exists, there is no plague that requires application of Rule 9(b). See *infra* notes 150–52 and accompanying text.

### 3. Applying Rule 9(b) to Inequitable Conduct Will Provide Notice, but So Will Applying it to Any Defense

The courts have justified applying Rule 9(b) to inequitable conduct cases by pointing to the fact that it supplies the plaintiff with notice of the claims against her.<sup>123</sup> It is axiomatic that the more detail a defendant is required to provide, the easier it will be for the plaintiff to respond.

Yet, the Federal Rules rejected detailed pleading, opting instead for notice pleading. Indeed, at the time the Rules were adopted, an effort to require patentees to plead infringement with particularity was rejected.<sup>124</sup> Consequently, the fact that a detailed pleading provides more notice than required by Rule 8 cannot, by itself, justify being included in Rule 9(b); otherwise, all pleadings would be covered by Rule 9(b).

Moreover, a defendant claiming inequitable conduct is not in a position, at least in its original answer, to provide notice to the plaintiff of the details concerning inequitable conduct. As shown above,<sup>125</sup> only by taking discovery of the applicants can the defendant completely discover whether material information was withheld or a misrepresentation made. A defendant cannot give notice of what it does not know.<sup>126</sup> Thus, while applying Rule 9(b) to typical fraud claims does

123. Weidinger, *supra* note 32, at 1202–03. Justifications for applying Rule 9(b) to other types of suits are simply not relevant to patent suits. For example, requiring a securities fraud plaintiff to plead fraud with particularity is justified by the belief that it reduces strike suits. *Id.* Inequitable conduct—which is only an affirmative defense, not a claim for relief—is not going to be raised in a "strike suit" designed to extort money from the patentee.

124. *See id.* at 1204. A charge of infringement—particularly willful infringement—is just as likely to tarnish reputations and cause unnecessary costs as is a charge of willful infringement. Yet, the patentee is required to plead only notice of infringement; the details of infringement—complicated as they often are, involving claim charts and battles of lexicographers and experts—are left to discovery.

125. *See supra* notes 101–09 and accompanying text.

126. Defendants are required to provide particularized notice, either in their pleadings or otherwise:

In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Federal Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice

serve a notice function, and likewise does so when it is applied to inequitable conduct, the same can be true of any claim or defense. Because of the practical distinction between inequitable conduct and typical fraud, it is unsatisfactory and hollow to justify the application of Rule 9(b) to inequitable conduct claims, at least with respect to the defendant's original answer,<sup>127</sup> in order to serve a notice function.

#### 4. Applying Rule 9(b) Will Not Significantly Define or Limit the Scope of Discovery

Courts have stated that "[d]efending against an allegation of inequitable conduct can consume enormous resources, particularly if the allegation fails to pinpoint the precise offending conduct."<sup>128</sup> No empirical research addresses this issue. However, on its face, it is inaccurate because it fails to take into account the nature of patent litigation.

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proof of the said matters may not be made at the trial except on such terms as the court requires.

35 U.S.C. § 282 (2002). One commentator argues that the notice that defendants are required by Section 282 to provide gives sufficient notice to patentees, and as such, Rule 9(b) should not apply at all. Weidinger, *supra* note 32, at 1204 (contending that Section 282 "ensures that plaintiffs will be afforded the information they need to refute a defense of inequitable conduct").

Section 282 does not provide adequate notice to the patentee of the details of a defense of unenforceability. First, Section 282 would not even apply where the only issue is enforceability of the patent-in-suit, since Section 282 applies to invalidity only. Second, notice must be given thirty days before trial, and in my experience, that is precisely when it is given. A patent owner can hardly prepare a case for trial with only thirty days notice. Third, it requires disclosure only of a very narrow swath of the type of evidence that can be relevant to an inequitable conduct defense, in essence requiring disclosure only of (1) printed publications that allegedly anticipate or render obvious a claim and (2) the identity of any person who previously invented the claimed invention. Thus, it would not require the defendant to identify prior uses by the defendant of the claimed invention, nor test data withheld from or misrepresented to the Patent Office. The existence of Section 282 is irrelevant to whether Rule 9(b) should apply.

127. Requiring a defendant who uncovers during discovery facts showing inequitable conduct to *plead* those facts—as opposed to merely providing them in response to a contention interrogatory—places form over substance with respect to the notice function. A defendant has as much notice of the particulars of the defense if they are laid out in an interrogatory response as he does if they are plead in an answer as an affirmative defense. While Rule 11 only applies to pleadings, not discovery, a discovery response alleging inequitable conduct is held to essentially the same standards. *Compare* FED. R. CIV. P. 26(g)(2) (reasonable inquiry required), *with* FED. R. CIV. P. 11(b)(3) (reasonable inquiry required). Requiring that the details of the allegation be plead, rather than included in an interrogatory answer, is not likely to affect the ability of patentees to sanction violations.

128. *Chiron Corp. v. Abbott Labs.*, 156 F.R.D. 219 (N.D. Cal. 1994).

While it may be true in typical civil cases that the naked accusation that a defendant defrauded a plaintiff can lead to open-ended and expensive discovery, the addition of an inequitable conduct claim to the typical patent case will not expand the scope of discovery, or of trial, very much. Unlike the usual fraud case, the scope of discovery for determining whether inequitable conduct occurred is necessarily limited by reason of the limited nature of the duty to disclose.

First, even though corporations own most patents,<sup>129</sup> the knowledge of only a very few people matters. Only the knowledge of those persons substantively involved in prosecution—typically the inventors and their attorneys or patent agents—counts for purposes of determining whether inequitable conduct occurred.<sup>130</sup> Hence, wide-ranging forays into what other corporate employees knew or did not know are usually unnecessary because what they knew is not relevant.<sup>131</sup> Second, the scope of what is material is limited by the scope of the claims of the patent. Information that is not relevant to the claims cannot be material information.<sup>132</sup> Third, patents typically issue within two to three years, and the recent amendments eliminate most incentive to delay.<sup>133</sup> The comparatively short time that most patents pend before the Office, therefore, temporally limits the scope of relevant information. What an applicant learned after the patent had issued is irrelevant.

Fourth, because most patent cases include invalidity defenses, the scope of discovery will not be significantly expanded by the inclusion of

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129. John R. Allison & Mark A. Lemley, *Who's Patenting What? An Empirical Exploration of Patent Prosecution*, 53 VAND. L. REV. 2099, 2101 (2000); accord John R. Allison & Mark A. Lemley, *The Growing Complexity of the United States Patent System*, 82 B.U. L. REV. 77, 97–98 (2002) (also noting that in 1976, nearly three-fourths of inventors also assigned their inventions to corporations).

130. See David Hricik, *The Risks and Responsibilities of Attorneys and Firms Prosecuting Patents for Different Clients in Related Technologies*, 8 TEX. INTELL. PROP. L.J. 331, 348–51 (2000) (showing that principles of imputed knowledge do not apply to inequitable conduct claims). *But cf.* *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370 (Fed. Cir. 2001) (imputing lawyer's legal knowledge to applicants).

131. Under unusual facts, what persons not substantively involved in prosecution of the patent may know can be important. In particular, where someone involved in prosecution is put on notice that another person possesses material information, there may be a duty to investigate. See Hricik, *supra* note 130, at 348–51; *Brasseler*, 267 F.3d at 1376. Under such circumstances, what others knew may be important.

132. See *supra* notes 25–26 and accompanying text.

133. Under prior law, patents expired seventeen years after issuance. Today, they expire twenty years after filing. See *Merck & Co., Inc. v. Kessler*, 80 F.3d 1543, 1547 (Fed. Cir. 1996). Because the expiration now runs from filing, no issuance incentives for delay are reduced.

an inequitable conduct defense. All of the information that was submitted to the Patent Office, and what was not provided, will be fully explored during discovery. For example, because it is easier to establish invalidity based upon art that was not disclosed to the Patent Office,<sup>134</sup> an accused infringer will undertake expensive and wide-ranging discovery to identify prior art that was not disclosed to the Patent Office. Inventors will always be deposed, and asking the inventor if he had known of the uncited prior art adds little expense.<sup>135</sup> Similarly, a defendant usually demands the production of every lab notebook related to the invention, as well as all test data either submitted to the Patent Office or run during the same time period, to ascertain whether the test data actually shows the invention works as claimed. Again, asking a few questions of the two or three witnesses who typically are substantively involved in the prosecution of the application why certain tests were withheld, or why results were ostensibly "cherry-picked," adds little time or expense to most patent cases.

Adding inequitable conduct to a patent case will add some areas of inquiry, but it usually will not add a great number of new issues nor, in the usual case, more than one new witness—the attorney or patent agent who prosecuted the application.<sup>136</sup> Finally, but perhaps most fundamentally, an accused infringer is by statute entitled to determine whether the patent is unenforceable.<sup>137</sup> Indeed, the accused infringer is the only party with incentive and the means to determine whether the patent was obtained through deception.<sup>138</sup> It is curious at best to use the cost of discovery as a reason to apply Rule 9(b) when the Patent Office stopped investigating claims of inequitable conduct and left it to private litigants *because they have the resources to investigate*.

For all these reasons, determining whether inequitable conduct occurred will require discovery as to whether or not Rule 9(b) applies.

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134. *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 837 F.2d 1044, 1050–51 (Fed. Cir. 1988).

135. For example, a defendant who raises the defense of obviousness—a common defense—will want to discover what the state of the art was, what persons skilled in the art knew, and similar evidence. Inquiry into those areas overlaps substantially with evidence of inequitable conduct. If, for example, the defendant learns that the inventor knew of a similar device, but failed to disclose it, the similarity of the devices will be evidence of obviousness, and the failure to disclose it, evidence of inequitable conduct.

136. *See also infra* notes 135–41 and accompanying text. The knowledge of the inventor's attorney "counts," for inequitable conduct purposes, and his duty of disclosure is independent of his client's. *See Hricik, supra* note 130, at 332–34.

137. *See supra* note 4.

138. *See infra* notes 147–48 and accompanying text.

Accordingly, allowing a defendant to plead inequitable conduct without complying with Rule 9(b) does not mean that discovery will be increased.<sup>139</sup>

### 5. Applying Rule 9(b) to Inequitable Conduct Will Not Reduce Attorney Disqualification

District courts have reasoned that assertions of inequitable conduct can be used to disqualify counsel, believing that "if the attorneys representing the party accused of inequitable conduct are the same attorneys who represented the client in the patent prosecution, then the party asserting inequitable conduct will often move to disqualify those attorneys."<sup>140</sup> In jurisdictions that follow the majority interpretation of the ABA Model Rules of Professional Responsibility, this concern is overstated.<sup>141</sup>

First, even if the prosecuting attorneys were witnesses at trial, only the attorneys who personally prosecuted the patent would be disqualified—not other members of their firm.<sup>142</sup> Due to specialization of attorneys, it will seldom be the case that an attorney who prosecuted the patent-in-suit also serves as trial counsel. In my experience, that has never occurred.

Second, even those attorneys who were personally involved in prosecution are disqualified only from actually appearing before the jury at trial.<sup>143</sup> The only disqualification that most courts now impose on

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139. Requiring the defendant to comply with the Rule by pleading the facts, rather than stating them in response to discovery, seems a hollow requirement. Notice is notice.

140. *Chiron Corp. v. Abbott Labs.*, 156 F.R.D. 219, 222 (N.D. Cal. 1994); *see also Sun Microsystems, Inc. v. Dataram Corp.*, No. CIV 96-20708 SW, 1997 WL 50272, at \*4 (N.D. Cal. Feb. 4, 1997) (citing "inherent dangers" of inequitable conduct defense as including "attorney disqualification").

141. As shown in this section, the ABA and lending authorities have interpreted the lawyer-witness rule in ways that limit its scope. Obviously, exceptions exist. A comprehensive review of the lawyer-witness rule is beyond the scope of this section. *See* RESTATEMENT (THIRD) LAW GOVERNING LAWYERS § 108 (2000).

142. MODEL RULES OF PROF'L CONDUCT R. 3.7(b) (1983). Only if there is a conflict under Model Rules 1.7 or 1.9 are members of the testifying attorney's firm disqualified. *Id.*; *see also Kubin v. Miller*, 801 F. Supp. 1101, 1114 (S.D.N.Y. 1992) (firm-wide disqualification is "extremely harsh" and should be limited); RESTATEMENT (THIRD) LAW GOVERNING LAWYERS § 108, cmt. i (A lawyer affiliated with the disqualified lawyer "may serve as advocate . . . so long as the representation would not involve in conflict of interest . . .").

143. When Model Rule 3.7(a) disqualifies a lawyer-witness, it does so only from "act[ing] as an advocate at a trial." *See* ABA Comm. on Ethics and Prof'l Responsibility, Informal Op. 89-1529 (1989) (lawyer may conduct pre-trial proceedings); *see also* ABA Comm. on Ethics and Prof'l Responsibility Informal Op. 83-1503 (1983) (lawyer may handle

lawyers who are disqualified under the lawyer-witness rule is that such lawyers may not serve as trial counsel. Even then, the proscription exists only where trial is to the jury. Accordingly, even a disqualified lawyer would be free to conduct discovery, argue dispositive motions, control and direct the lawsuit, and handle any appeal. Moreover, assuming participation at trial by a lawyer who had prosecuted the patent was critical, inequitable conduct presents no jury issues.<sup>144</sup> Under those circumstances, a separate trial to the judge alone—where the lawyer-witness may ethically testify—may be used to obviate any ethical issues.<sup>145</sup>

Finally, even in those few cases where the prosecuting attorney is also trial counsel and separate trials are not possible, the fact is that it is extremely unlikely that the lawyer will ever testify in court. Like all civil cases, the vast majority of patent cases settle prior to trial.<sup>146</sup> It is very unlikely that the lawyer-witness rule will ever require disqualification at trial. It is at best a small factor in deciding whether Rule 9(b) should apply.

*B. Applying Rule 9(b) Implicates Countervailing Policies that are Not Present in the Usual Fraud Case*

In deciding that Rule 9(b) applies to inequitable conduct, courts have failed to consider the adverse consequences. Applying Rule 9(b) to inequitable conduct claims undermines or hampers several important policies.

First, accused infringers are the only parties with standing and resources to enforce the duty of candor. The Patent Office has never maintained any independent laboratories.<sup>147</sup> As a consequence, it lacks facilities to verify experiments submitted to the Patent Office to support patentability or to conduct any sort of due diligence on communications from the applicant. If an applicant states that a certain test was run

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appeal).

144. *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209 (Fed. Cir. 1987) (holding there is no right to jury trial on any aspect of inequitable conduct).

145. *See generally id.* (noting availability of separate trials).

146. *See* Edward G. Poplawski, *Selection and Use of Experts in Patent Cases*, 27 AM. INTELL. PROP. L.Q.J. 1, 3 (1999) (noting that more than ninety percent settle).

147. *See* *Beckman Instruments, Inc. v. Chemtronics, Inc.*, 439 F.2d 1369, 1379 (5th Cir. 1970); *In re Ziegler*, 833 F.2d 1024 (table), No. 87-1409, 1987 WL 38838, (Fed. Cir. 1987) (noting absence of Patent Office laboratory facilities).

properly, the Patent Office has no means to verify the representation.<sup>148</sup> Accordingly, no one but the accused infringer has the legal and practical resources, as well as the opportunity and incentive, to thoroughly investigate the candor and honesty of the applicant.

Second, the public has a strong interest in ensuring that patents are not issued based upon falsehoods and deception. The public has a greater interest in determining whether the Patent Office was defrauded than it does in finding out whether a private party was defrauded. Patents are affected with the public interest since they restrict economic freedom, more so since the number of patents has increased dramatically in recent years.<sup>149</sup> The available statistics suggest that inequitable conduct is ultimately held to have occurred with surprising frequency. Specifically, one analysis shows that in 2001, inequitable conduct was asserted in twenty-seven cases, with the patentee prevailing in twenty-three of them, or roughly seventy-five percent.<sup>150</sup> The same occurred in 2000, with the patentee prevailing in fifteen out of twenty inequitable conduct cases.<sup>151</sup> These statistics, though far from conclusive, at least suggest that inequitable conduct is being pleaded as a defense in roughly twenty percent of all patent suits, and when it is pleaded, the defendant prevails about twenty-five percent of the time. If these statistics are representative, then four percent of patents are unenforceable, a remarkable number given the tremendous burden of proof that defendants face.<sup>152</sup> A substantial service is provided to the

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148. It is common for applicants whose claims are rejected to submit test data to the Patent Office to show "unexpected results" of the claimed invention or the otherwise established patentability. See, e.g., *Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co.* 837 F. Supp. 1444, 1475 (N. D. Ind. 1992) (finding inequitable conduct based on test submission). See generally, *MANUAL OF PATENT EXAMINATION PROCEDURE* § 716.02 (5th ed.); Alan H. MacPherson et al., *Ethics in Patent Practice (A Brief Visit to Several Areas of Concern)*, 574 *PLI/PAT* 657, 700-02 (1999). Inequitable conduct occurs when submitted tests are false or misleading.

149. Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights For Business Concepts and Patent System Reform*, 14 *BERKELEY TECH. L.J.* 577, 590 & n.36 (1999) (detailing increase in number of applications).

150. UNIVERSITY OF HOUSTON LAW CENTER, *PATSTATS: US PATENT LITIGATION STATISTICS*, at <http://www.patstats.org/2001.html>; see also Allison & Lemley, *supra* note 129, at 187 (analyzing validity statistics).

151. UNIVERSITY OF HOUSTON LAW CENTER, *PATSTATS: US PATENT LITIGATION STATISTICS*, at <http://www.patstats.org/2000.html>.

152. Our own review of published Federal Circuit decisions rendered from January 1, 2000 to September 20, 2002, reveals that inequitable conduct was found to have occurred in six of thirty-two cases where the merits were reached. Specifically, inequitable conduct was found in *Frank's Casing Crew & Rental Tools, Inc. v. PMR Technologies, Ltd.*, 292 F. 3d 1363



public by a successful inequitable conduct defense since it revokes a patent deceitfully taken from the public.<sup>153</sup>

Yet, no court that analyzed whether Rule 9(b) should apply took these countervailing policies into account. Applying Rule 9(b) to the defense can cut off discovery, raise pleading hurdles (and thus increase costs), and so reduce the circumstances in which inequitable conduct may be raised. Courts should not conclude that Rule 9(b) applies because it furthers public policy without considering the adverse effects of doing so on the patent system.

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(Fed. Cir. 2002); *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370 (Fed. Cir. 2001); *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268 (Fed. Cir. 2001); *LI Second Family Ltd. P'ship v. Toshiba Corp.*, 231 F.3d 1373 (Fed. Cir. 2000); *Perseptive Biosystems, Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315 (Fed. Cir. 2000); *Semiconductor Energy Laboratory Co. Ltd. v. Samsung Electronics Co., Ltd.*, 204 F.3d 1368 (Fed. Cir. 2000).

It was not found in *Union Carbide Chemicals & Plastics Technology Corp. v. Shell Oil Co.*, 308 F.3d 117 (Fed. Cir. 2002); *Slip Track Systems, Inc. v. Metal-Lite, Inc.*, 304 F.3d 1256 (Fed. Cir. 2002); *Abbott Laboratories v. Torpharm, Inc.*, 300 F.3d 1367 (Fed. Cir. 2002); *Allen Engineering Corp. v. Bartell Industries, Inc.*, 299 F.3d 1336 (Fed. Cir. 2002); *Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277 (Fed. Cir. 2002); *Juicy Whip, Inc. v. Orange Bang, Inc.*, 292 F.3d 728 (Fed. Cir. 2002); *University of West Virginia, Board of Trustees v. Vanvoorhies*, 278 F.3d 1288 (Fed. Cir. 2002); *Tegal Corp. v. Tokyo Electron America, Inc.*, 257 F.3d 1331 (Fed. Cir. 2002); *LNP Engineering Plastics, Inc. v. Mille Waste Mills, Inc.*, 275 F.3d 1347 (Fed. Cir. 2001); *Rhone-Poulenc Agro, S. A. v. DeKalb Genetics Corp.*, 272 F.3d 1335 (Fed. Cir. 2001); *Advanced Cardiovascular Systems, Inc. v. Medtronic, Inc.*, 265 F.3d 1294 (Fed. Cir. 2001); *Winbond Electronics Corp. v. International Trade Commission*, 262 F.3d 1363 (Fed. Cir. 2001); *Jazz Photo Corp. v. International Trade Commission*, 264 F.3d 1094 (Fed. Cir. 2001); *Mentor H/S, Inc. v. Medical Device Alliance, Inc.*, 244 F.3d 1365 (Fed. Cir. 2001); *Monon Corp. v. Stoughton Trailers, Inc.*, 239 F.3d 1253 (Fed. Cir. 2001); *Purdue Pharma L.P. v. Boehringer Ingelheim GMBH*, 237 F.3d 1359 (Fed. Cir. 2001); *Union Pacific Resources Company v. Chesapeake Energy Corp.*, 236 F.3d 684 (Fed. Cir. 2001); *Ruiz v. A. B. Chance Co.*, 234 F.3d 654 (Fed. Cir. 2000); *Ajinomoto Co., Inc. v. Archer-Daniels-Midland Co.*, 228 F.3d 1338 (Fed. Cir. 2000); *Life Technologies, Inc. v. Clontech Laboratories, Inc.*, 224 F.3d 1320 (Fed. Cir. 2000); *Southwest Software, Inc. v. Harlequin Inc.*, 226 F.3d 1280 (Fed. Cir. 2000); *Upjohn Co. v. Mova Pharmaceutical Corp.*, 225 F.3d 1306 (Fed. Cir. 2000); *Fiskars, Inc. v. Hunt Mfg. Co.*, 221 F.3d 1318 (Fed. Cir. 2000); *Union Oil Co. of California v. Atlantic Richfield Co.*, 208 F.3d 989 (Fed. Cir. 2000); *Speedplay, Inc. v. Bebop, Inc.* 211 F.3d 1245 (Fed. Cir. 2000); *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800 (Fed. Cir. 2000).

153. There are also other disincentives to pleading inequitable conduct that a typical fraud plaintiff does not face. A defendant who unsuccessfully asserts inequitable conduct may find himself on the hook for attorneys' fees. A plaintiff who prevails over an inequitable conduct defense may be deemed a "prevailing party" and be awarded its fees. Weidinger, *supra* note 32, at 1210–11.

That same commentator argued that the existence of Rule 11 sanctions was more likely to deter improper assertion of inequitable conduct claims. *Id.* at 1209–10. Many scholars and commentators argue that Rule 11, as amended, largely reduces the need for Rule 9(b). See authorities cited *supra* note 98.

## V. WHAT RULE 9(b) SHOULD REQUIRE OF DEFENDANTS PLEADING INEQUITABLE CONDUCT DEFENSES

Perhaps I am wrong about everything. It may be that inequitable conduct is fraud in terms of Rule 9(b) or, even if it is not, that courts may be free to rely upon policy grounds to conclude that policies are best served by requiring heightened pleading, and, if they are, that the interests of the patent and judicial systems are best served by applying Rule 9(b) to inequitable conduct claims.<sup>154</sup> In light of that possibility, and of the fact that Rule 9(b) does apply to *Walker Process* claims, the following examines what courts have been requiring of defendants, and then recommends guidelines for courts to apply in measuring the degree of particularity that should be required.

### A. *The Current Disagreement Among the District Courts as to the Requirements of Rule 9(b)*

Courts appear to apply an ad hoc approach to what Rule 9(b) requires in pleading inequitable conduct.<sup>155</sup> On one end of the spectrum, the courts almost without exception hold that the bare assertion that a patent was obtained through fraud or inequitable conduct is insufficient to satisfy the particularity requirements.<sup>156</sup> On the other hand, where the

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154. *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1967).

155. See *Davidson v. Cao*, 211 F. Supp. 2d 264, 286 (D. Mass. 2002) (noting that at least one court requires pleading facts, supporting materiality, and intent).

156. *Moore U.S.A., Inc. v. Standard Register Co.*, 139 F. Supp. 2d 348, 359 (W.D.N.Y. 2001) (holding insufficient allegation that patents "may be unenforceable due to inequitable conduct"); *Treach v. Nextel Communications, Inc.*, 52 U.S.P.Q.2d 1638, 1640 (D. Ariz. 1999) (holding insufficient claim that patents "is unenforceable due to inequitable conduct during prosecution of the underlying application."); *Optical Coating Lab., Inc. v. Applied Vision Ltd.*, No. C-92-4689-MHP, 1995 WL 150513, at \*4 (N.D. Cal. Mar. 20, 1995) (claim that the patent "was obtained only as a result of inequitable conduct practiced on the United States Patent and Trademark Office" insufficient); *Laitram Corp. v. OKI Elec. Indus. Co.*, 30 U.S.P.Q.2d 1527 (E.D. La. 1994) (claim that plaintiff "breached its duty of candor to the United States Patent and Trademark Office, with the result that the Lapeyre patent is unenforceable" did not meet 9(b)); *Wicker Group v. Standard Register Co.*, 33 U.S.P.Q.2d 1678, 1679 (E.D. Va. 1994) (holding insufficient allegation that patents were "unenforceable due to positive representations and/or acts of omission before the U.S. Patent & Trademark Office which are inequitable conduct . . ."); *Xilinx, Inc. v. Altera Corp.*, 33 U.S.P.Q.2d 1149 (N.D. Cal. 1993) (claim that patents "were obtained . . . through inequitable conduct . . ." held insufficient); *Energy Absorption Sys. v. Roadway Safety Servs. Inc.*, 28 U.S.P.Q.2d 1079, 1080 (N.D. Ill. 1993) (holding that allegation that patent was "void and unenforceable" was insufficient); *Sun-Flex Inc. v. Softview Computer Prods. Corp.*, 750 F. Supp. 962, 963 (N.D. Ill. 1990) (allegations that plaintiff withheld "material facts including prior art, prior inventions and patent application(s)" as well as "falsified inventorship," "mischaracterized . . .

inequitable conduct consists of withholding a prior art reference, courts hold that a pleading identifying the withheld reference and who knew of its existence is sufficient.<sup>157</sup>

Beyond that, however, there is little clarity. Two district court opinions demonstrate this point. One court found sufficient the allegation that the patent was unenforceable by reason of the patentee's "fraudulent and inequitable conduct before the Courts and toward the public" that consisted of the "assertion of the patent despite plaintiff's awareness of prior use, sale, and public knowledge of the invention involved."<sup>158</sup> However, another district court found insufficient the indistinguishable allegation that a patent was unenforceable because the patentee "had knowledge of publications, public knowledge, public sales and/or public use pertinent to and affecting the patentability of the invention . . . and failed to disclose same to the United States Patent Office."<sup>159</sup> The following sections illustrate in more detail the uncertainties regarding what Rule 9(b) requires in inequitable conduct cases, and suggests guidelines for its application.

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prior public usages," and "misrepresented material facts . . ." held insufficient) (alterations in original); *Solarex Corp. v. Arco Solar, Inc.*, 121 F.R.D. 163, 178 (E.D.N.Y. 1988) (holding that defense which asserted that the patents "were each procured by inequitable conduct" failed to satisfy Rule 9(b)), *aff'd*, 870 F.2d 642 (Fed. Cir. 1989); *Papst Motoren GMBH & Co. KG v. Kanematsu-Goshu (U.S.A.), Inc.*, 629 F. Supp. 864, 870-71 (S.D.N.Y. 1986) (allegation that patentee withheld material information and made misleading arguments insufficient); *PPG Indus., Inc. v. Celanese Coatings Co.*, 176 U.S.P.Q. 235, 236 (D. Md. 1972) (bare allegation that patent was unenforceable was insufficient); *see also* *Cardiogenesis Corp. v. PLC Sys., Inc.*, No. 96-20749SW, 1997 WL 12129, at \*1 (N. D. Cal. Jan. 8, 1997) (striking pleading that alleged patent was "unenforceable"); *G&H Tech., Inc. v. U.S.*, 227 U.S.P.Q. 491, 492 (Cl. Ct. 1985) (applying rule identical to Rule 9(b) to find claim that patent was "unenforceable" because of the "applicants' failure to meet their duties of candor and disclosure" was insufficient).

The only exception is the district court's decision in *Quantum* where the court let stand the defense that the patent was "unenforceable" because it concluded that Rule 9(b) did not apply to inequitable conduct claims. *Quantum* is discussed *supra*, notes 85-90 and accompanying text.

157. *Schwarzkopf Techn. Corp. v. Ingersoll Cutting Tool Co.*, 820 F. Supp. 150, 154 (D. Del. 1992) (pleadings which specified "the name of the German patent which Schwarzkopf allegedly failed to disclose" satisfied Rule 9(b)); *Papst Motoren*, 629 F. Supp. at 870 (pleading which specified which reference had been held was sufficient); *see also* *Environ Prods., Inc. v. Total Containment, Inc.*, 951 F. Supp. 57, 58 (E.D. Pa. 1996) (rejecting plaintiff's argument that defendant's ten-page pleading of inequitable conduct was insufficient).

158. *Essex Int'l, Inc. v. Industria Prods., Inc.*, 64 F.R.D. 361, 363 (N.D. Ind. 1974).

159. *Micro Motion, Inc. v. Exac Corp.*, 112 F.R.D. 2, 3 (N.D. Cal. 1985).

### 1. Uncertainty as to Allegations of Intent

The uncertainties arising from even the most basic allegations of intent are illustrated by the United States District Court for the Northern District of California decision in *Xilinx, Inc. v. Altera Corp.*<sup>160</sup> The court first held that a naked assertion that the patents "were obtained by Xilinx through inequitable conduct" failed to meet the requirements of Rule 9(b), and ordered the defendant to re-plead the defense "with specificity as to time, place and content of any misrepresentations . . ."<sup>161</sup> The defendant then filed an amended answer, which provided:

Upon information and belief, the '302 and '487 patents are unenforceable because they were obtained by Xilinx through inequitable conduct in the United States Patent and Trademark Office. During the prosecution of these patents, at least the following prior art references were neither cited by the patent examiner nor called to the patent examiner's attention by Xilinx: a 1967 article by Wahlstrom titled "Programmable logic arrays—cheaper by the millions"; (2) Wahlstrom United States Patent No. 3,473,160 issued on October 14, 1969; (3) a 1970 doctoral thesis by Shoup titled "Programmable Cellular Logic Arrays"; and (4) a 1975 doctoral thesis by Manning titled "Automatic Test, Configuration, and Repair Cellular Arrays." In addition, the materiality of other prior art, e.g. Manning United States Patent No. 4,020,469 was not disclosed to the patent examiner. Each of these five references was material to the patentability of the patents in suit. Upon information and belief, those acts and omissions by or on behalf of Xilinx were either intentional or evidence an intentional disregard of Xilinx's duty of disclosure to the Patent and Trademark Office and had the effect of depriving the Patent and Trademark Office of an opportunity to consider fairly whether or not the '302 and '487 patents should have issued.<sup>162</sup>

The plaintiff moved to strike even this more elaborate statement of the defense, arguing that the defendant had "failed to plead a required

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160. 33 U.S.P.Q.2d 1149 (N.D. Cal. 1993).

161. *Id.* at 1150.

162. *Id.* at 1152.

element of the affirmative defense, namely an intent to deceive."<sup>163</sup> Even though the defendant had alleged that the plaintiff had acted "intentional[ly]" or as part of an "intentional disregard of [plaintiff's] duty of disclosure to the Patent and Trademark Office," the plaintiff argued that this still did not sufficiently allege an intent to deceive.<sup>164</sup> The court agreed and once again struck the defense.<sup>165</sup> It properly identified the distinction between alleging that an act had been done intentionally, and alleging that it had been done with an intent to deceive the Patent Office: "If [defendant] believes it can later prove that [plaintiff] intended to deceive the PTO—whether through direct or circumstantial evidence—[defendant's] pleading should, at the very least, reflect that belief."<sup>166</sup> While the court correctly noted that alleging that an act had been done intentionally is different from saying it had been done with an intent to deceive, nowhere in its original opinion ordering the defendant to re-plead the defense did the court give the slightest warning that intent had to be pleaded in so many words, so precisely.

Not only does the burdensome, repetitious briefing in *Xilinx* demonstrate the cost of the uncertain requirements concerning intent, other courts have held that pleadings passed muster under 9(b) with allegations of intent virtually identical to the one found lacking in *Xilinx*.<sup>167</sup> Litigants do not know whether specific words are required.

## 2. Uncertainty as to Specificity Required in Identifying the Deceptive Statement or Omission

The courts apply inconsistent standards as to how specifically the defendant must identify the deceptive statement. Some courts impose

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163. *Id.* at 1153.

164. *Id.* at 1152.

165. *Id.* at 1153.

166. *Id.*

167. For example, in *Raychem Corp. v. PSI Telecommunications, Inc.*, No. C-93-20920 RPA, 1995 WL 108193 \*2 (N.D. Cal. Mar. 6, 1995), the defendant plead that the patentee had failed to disclose a prior art reference to the Patent Office and "such failure to disclose . . . was intentional and constitutes inequitable conduct making any such patent unenforceable." The court held that this met the requirements of Rule 9(b), noting that the defendant had plead that the patentee had "intentionally failed to disclose knowledge of the . . . a Dobbin patent [withheld reference] to the Patent Office." *Id.* at \*3.

Similarly, the court in *Poly-Am., Inc. v. GSE Lining Tech., Inc.*, No. A 3:96-CV-2690, 1998 WL 355477, at \*3 (N.D. Tex. June 29, 1998), found that numerous accusations of inequitable conduct complied with Rule 9(b) even though the defendant did not plead "intent to deceive," but instead only that the acts had been done intentionally.

requirements bordering on—if not requiring—evidence-pleading. For example, one district court held that the following allegation was insufficient under Rule 9(b):

U.S. Patent No. 5,156,949 is unenforceable pursuant to the doctrine of inequitable conduct. In an effort to avoid the patent examiner's obviousness rejection, Chiron intentionally misled the examiner about the state of the art. In particular, on September 14, 1990, Dr. Kathelyn Sue Steimer swore to an affidavit containing information about the likelihood that recombinant antigens would be as effective as natural antigens when used in an HIV diagnostic assay. This affidavit was filed with the U.S. Patent Office, and was deceptive and misleading.<sup>168</sup>

Even though the defendant had specified the statement and explained how it was deceptive, the court held that the defense was insufficient because the affidavit contained fifteen paragraphs. The court asserted that the defendant "has no way of knowing from the sparse accusation which of these paragraphs forms the basis for Abbott's accusations. Is it the conclusions Dr. Steimer draws, the facts on which she bases those conclusions, or some other specific statement in the affidavit?"<sup>169</sup>

Other courts take a different approach. For example, some courts have held that the defendant must plead: "(1) the particular statements, misrepresentations, or omissions made; (2) when the complained of acts or omissions occurred; (3) the reason why those acts or omissions were inequitable; and (4) the basis for the belief."<sup>170</sup>

The uncertainty as to the required degree of specificity also reveals itself in the split over whether a defendant must plead the time, place, and substance of any misrepresentation. A number of courts have held that Rule 9(b) requires that the defendant plead "at least the time, place and substance of any misrepresentation or material omission."<sup>171</sup> At the

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168. *Chiron Corp. v. Abbott Labs.*, 156 F.R.D. 219 (N.D. Cal. 1994).

169. *Id.*

170. *Laitram Corp. v. OKI Elec. Indus. Co.*, 30 U.S.P.Q.2d 1527, 1533 (E.D. La. 1994); *Wolf v. Wagner Spray Tech. Corp.*, 10 U.S.P.Q.2d 1690, 1693 (S.D.N.Y. 1989) (Plaintiff must "outline the specific statements made, the defendant who made them, and the time and place they were made" as well as "the reasons why those statements were fraudulent and the basis for this belief.").

171. *Solarex Corp. v. Arco Solar, Inc.*, 121 F.R.D. 163, 178 (E.D.N.Y. 1988), *aff'd*, 870 F.2d 642 (Fed. Cir. 1989); see *Davidson v. Cao*, 211 F. Supp. 2d 264, 286 (D. Mass. 2002)

same time, another line of cases expressly rejects the time-place-substance requirement.<sup>172</sup>

Requiring a defendant to plead the time, place and content of the misrepresentations is unhelpful. Requiring the defendant to plead the specific time that the misrepresentation occurred is meaningless where the allegation is the failure to submit material prior art. If an applicant knew of a material prior art reference, but failed to disclose it during the three years that the patent was prosecuted, what is the time of the omission?<sup>173</sup> Furthermore, requiring the defendant to plead *only* time,

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(holding that defendant must plead time, place, and content); *ASM Am., Inc. v. Genus, Inc.*, No. 01-2190EDL, 2002 WL 24444, at \*2 (N.D. Cal. Jan. 9, 2002) (Rule 9(b) requires pleading of "time, place."); *In re Papst Licensing GMBH Patent Litig.*, 174 F. Supp. 2d 446, 448 (E.D. La. 2001) (defendant must "state the time, place and nature of the alleged fraudulent activity."); *Systemation, Inc. v. Engel Indus., Inc.*, 183 F.R.D. 49, 51 (D. Mass. 1998) ("[A]t a minimum, Engel is required to state the time, place and content of the alleged inequitable conduct."); *Poly-Am., Inc. v. GSE Lining Tech., Inc.*, No. A3:96-CV-690, 1998 WL 355477, \*3 (N.D. Tex. June 29, 1998) (Party must "specify the time, place and any alleged misrepresentation"); *Videojet Sys. Int'l, Inc. v. Eagle Inks, Inc.*, 14 F. Supp. 2d 1046, 1049 (N.D. Ill. 1998) (Party "must plead the 'who, what, when, and where' of the alleged inequitable conduct.") (quoting *Uni\*Quality, Inc. v. Infotronx, Inc.*, 974 F.2d 918, 923 (7th Cir. 1992)); *Sun Microsystems, Inc. v. Dataram Corp.*, No. 96-207-08, 1997 WL 50272, at \*4 (N.D. Cal. Feb. 4, 1997) (Party must "specify the time, place, and content of any alleged misrepresentations to the PTO."); *Advanced Cardiovascular Sys. Inc. v. Medtronic Inc.*, 41 U.S.P.Q.2d 1770, 1775 (N.D. Cal. 1996) ("[D]efendant is required to 'state the time, place and specific content of the false representations as well as the identities of the parties to the misrepresentation.'") (quoting *Schreiber Distrib. v. Serv-Well Furn. Co.*, 806 F.2d 1393, 1401 (9th Cir. 1986)); *Optical Coating Lab., Inc. v. Applied Vision Ltd.*, No. C-92-4689-MHP, 1995 WL 150513 (N.D. Cal. Mar. 20, 1995) (defendant must allege "time, place and nature of the alleged fraudulent activities"); *Samsung Elec. Co. v. Texas Instruments, Inc.*, 39 U.S.P.Q.2d 1673 (N.D. Tex. 1996) (requiring time, place, and contents of false statement be plead); *InterDigital Tech. Corp v. OKI Am., Inc.*, 21 S.A., 32 U.S.P.Q.2d 1848, 1850 (S.D. Ind. 1994) ("[D]efendants must specifically plead the time, place, and content of any alleged misrepresentations the plaintiffs made to the PTO, and the requisite intent."); *Energy Absorption Sys. v. Roadway Safety Serv.*, 28 U.S.P.Q.2d 1079, 1080 (N.D. Ill. 1992) ("[W]e shall require Roadway to specifically plead the time, place, and content of any alleged misrepresentation that Energy made to the Patent and Trademark Office. . . ."); *Sun-Flex Co. v. Softview Computer Prods. Corp.*, 750 F. Supp. 962, 963 (N.D. Ill. 1990) ("[D]efendants must specify the time, place, and content of any alleged misrepresentations that plaintiffs made to the PTO.").

172. *Ronald A. Katz Tech. Licensing, L.P. v. Verizon Communication, Inc.*, No. 01-5627, 2002 U.S. Dist. Lexis 12982, at \*2 (E.D. Pa. 2002) ("there is no 'date, place, or time' requirement"); *Union Carbide Chem. & Plastics Tech. Corp. v. Shell Oil Co.*, No. 99-CV-274-SLR, 2000 WL 1481015, at \*2 (D. Del. Sept. 29, 2000) ("Rule 9(b) does not require that the pleadings allege the time, date, and place of the alleged misconduct.") (citing *EMC Corp. v. Storage Tech. Corp.*, 921 F. Supp. 1261, 1263 (D. Del. 1996)).

173. One defendant made this point, arguing that the "time of the inequitable conduct"—which was allegedly withholding material prior art—as being "during the prosecution of the '346 patent . . ." *Advanced Cardiovascular Sys. Inc. v. Medtronic Inc.*, 41

place, and speaker is under-inclusive because it does not require the defendant to plead why the speaker knew the information was false or misleading.

### 3. The Disagreement as to Whether Material Not Pled in the Answer May be Considered in Determining Whether the Defendant Complied with Rule 9(b)

The courts disagree on whether discovery can or must take the place of pleading with the specificity required by Rule 9(b). The cases are in such disarray as to provide no guidance to litigants.

A few courts hold that the particularity demanded by Rule 9(b) can only be met through a pleading—a complaint or an answer, typically—and discovery responses or other disclosures cannot take the place of a particularized *pleading* of fraud.<sup>174</sup> These courts refuse to consider any facts not recited in a pleading in determining whether the plaintiff has notice of the basis of the inequitable conduct claim.<sup>175</sup> For example, one court granted summary judgment to the patentee on an affirmative defense of inequitable conduct, rejecting the defendant's position that, though its answer was insufficient under Rule 9(b), it had pleaded facts in its brief in opposition to the summary judgment. Instead, the court held that "[h]aving failed to allege those facts in its

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U.S.P.Q.2d 1770, 1775 (N.D. Cal. 1996). The court apparently found this allegation sufficient, but struck the defense because "[m]ost significantly, defendant has not provided the particulars of what ACS or . . . [plaintiff] failed to disclose and the circumstances indicating ACS's intent to mislead the PTO . . ." *Id.*

Other courts reason that the pleading of "time" is satisfied if the defendant pleads that the conduct occurred "during prosecution." See *Davidson v. Cao*, 211 F. Supp. 2d 264, 286 (D. Mass. 2002); *Poly-American, Inc. v. 65E Lining Tech., Inc.*, No. 3:96-CV-2690, 1998 WL 355477, at \* 3 (N.D. Tex. June 28, 1998).

Likewise, requiring the pleading of the place—which is the Patent Office—gives no meaning, but notice. Yet, courts require pleading of the place where the misrepresentation occurred. See *Dataquill Ltd. v. Handspring, Inc.*, 60 U.S.P.Q.2d 1920 (N.D. Ill. 2001).

174. *Regents of the Univ. of Cal. v. Oncor Inc.*, 44 U.S.P.Q.2d 1321, 1330 (N.D. Cal. 1997) ("Notice in the form of discovery requests and in the moving papers cannot serve as a substitute for the pleadings."); *Energy Absorption Sys. Inc. v. Roadway Safety Serv.*, 28 U.S.P.Q.2d 1079, 1080 (N.D. Ill. 1992) (requiring defendant to amend its answer to state the facts it had disclosed in discovery responses); *Sun-Flex Co. v. Softview Computer Prods. Corp.*, 750 F. Supp. 962, 964 (N.D. Ill. 1990) ("While an interrogatory answer submitted by defendants contains some examples of the alleged inequitable conduct, the court finds that it would be more appropriate for defendants to properly amend their answer before the parties embark on extensive discovery regarding the issue of fraud.").

175. See cases cited *supra*, note 174.



pleadings, [the defendant] cannot rely on them to defeat this motion."<sup>176</sup>

On the other hand, several district courts have held that, even if the defendant's answer fails to meet the requirements of Rule 9(b), dismissal is inappropriate where an interrogatory response provides the requisite details.<sup>177</sup> These courts have held that the "Federal Rules of Civil Procedure 'do not contemplate that parties will amend their pleadings to reflect new information obtained in the discovery process."<sup>178</sup> In these courts, a defendant "cannot be faulted for failing to plead with particularity in its answer a fraud that it later learned about during pretrial discovery."<sup>179</sup> Finally, several courts have gone further and after finding a claim insufficient under Rule 9(b) have ordered the party asserting the claim "to conduct such discovery as is necessary to develop this information and file an amended complaint."<sup>180</sup>

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176. *Optical Coating Lab., Inc. v. Applied Vision Ltd.*, No. C-92-4689-MHP, 1995 WL 150513, at \*4 (N.D. Cal. March 20, 1995); see also *In re Papst Licensing GMBH Patent Litig.*, 174 F. Supp. 2d 446, 449 (E.D. La. 2001) ("IBM's pleading deficiencies cannot be cured through correspondence."); *Al-Site Corp. v. VSI Int'l, Inc.*, 42 U.S.P.Q.2d 1876, 1876-77 (S.D. Fla. 1997) (refusing to consider allegations of inequitable conduct raised only in opposition to motion for summary judgment). *But cf.* *Bonilla v. Trebol Motors Corp.*, 150 F.3d 77, 81 (1st Cir. 1998) (in non-patent case, holding that facts alleged in opposition to motion for summary judgment should be considered in determining sufficiency of allegations).

177. See, e.g., *Essex Int'l, Inc. v. Industria Prods., Inc.*, 64 F.R.D. 361, 363 (N.D. Ind. 1974) (stating in dicta that "as a practical matter, it is evident that considerable detailed information related to the alleged fraud has been disclosed in the response to plaintiff's interrogatories . . ."); see also *Schwarzkopf Tech. Corp. v. Ingersoll Cutting Tool Co.*, 820 F. Supp. 150, 154 (D. Del. 1992) (denying motion to strike an insufficient inequitable conduct defense because the defendant had filed supplemental affirmative defenses which provided the requisite detail).

178. *E.I. du Pont de Nemours & Co. v. Abbott Labs.*, No. 90C 7-338, 1992 WL 245642, at \*2 (N.D. Ill. Sept. 18, 1992) (quoting *Ash v. Wallenmeyer*, 879 F.2d 272, 274 (7th Cir. 1989)). In an unusual decision, the Northern District of Illinois in *du Pont* held that where the defendant provided the requisite details regarding its inequitable conduct defense in the pretrial order, the fact that it failed to include those details in its answer *or* in response to outstanding discovery requests did not bar its assertion. *Id.* at \*2-3. Apparently, the plaintiff did not argue that the defendant had failed to seasonably amend its answers to discovery.

Other courts have granted defendants leave to amend to plead inequitable conduct with specificity after details have been uncovered during discovery. See, e.g., *Stryker Corp. v. Intermedics Orthopedics, Inc.*, 25 U.S.P.Q.2d 1736 (E.D.N.Y. 1992) (court granted motion to amend); see also *Miller Pipeline Corp. v. British Gas PLC*, 69 F. Supp. 2d 1129, 1135 (S.D. Ind. 1999) (treating amendment proffered by defendant as if it had been made in order to address on the merits patentee's summary judgment motion).

179. *E.I. du Pont*, 1992 WL 245642, \*3 (citing *Ash*, 879 F.2d at 274).

180. *Parish v. Beneficial Illinois, Inc.*, No. N. 94 C 4156, 1996 WL 172127, at \*5 (N.D. Ill. Apr. 10, 1996); see also *Rachman Bag Co. v. Liberty Mut. Ins. Co.*, 839 F. Supp. 998, 1001 (E.D.N.Y. 1993) ("The defense was later withdrawn without prejudice, pending the discovery

The United States District Court for the District of Delaware—a critical battleground in patent litigation—has taken confusing positions on even this narrow point. On the one hand, it permitted defendants whose pleadings were insufficient on their face to provide what the court held was the necessary detail by relying on interrogatory answers.<sup>181</sup> In other cases, it held that interrogatory responses cannot be used to supplement pleadings if the pleadings are themselves deficient,<sup>182</sup>

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necessary to meet the particular pleading requirements of Rule 9(b) . . .").

181. *Scripps Clinic & Research Found., Inc. v. Baxter Travenol Labs., Inc.*, 7 U.S.P.Q.2d 1562, 1563–64 (D. Del. 1988) (denying motion to strike allegation that "inventors were aware of relevant prior art which was not identified to the Patent Office" because defendant had clarified its pleadings in interrogatory responses by stating that plaintiff had identified no prior art in its application).

However, later, the Delaware district court incorrectly characterized *Scripps* as involving a case where the pleading was adequate, and that the *Scripps* court had "referred to the clarifications in the interrogatories only as support for its conclusion that the pleadings were sufficient on their face." *EMC Corp. v. Storage Tech. Corp.*, 921 F. Supp. 1261, 1263 (D. Del. 1996). In fact, *Scripps* is unclear, since even in the interrogatory answer no specific art was identified as having been improperly withheld. The *Scripps* court arguably only used the interrogatory to confirm the sufficiency of the answer, or it may have relied on it for a critical detail.

182. In *EMC Corp.*, 921 F. Supp. at 1263, the plaintiff had sued the defendant for infringing one patent. During the pendency of the suit, the defendant disclosed prior art to the plaintiff in response to an interrogatory. At that time, the plaintiff was prosecuting another patent. *Id.* When that patent issued, the plaintiff claimed that the defendant was infringing it. *Id.* The defendant argued that the patent was unenforceable because the plaintiff had failed to disclose to the Patent Office the prior art that the defendant had identified in its interrogatory response. *Id.* The defendant plead its inequitable conduct defense in great detail:

The Ludlam '857 patent-in-suit is unenforceable due to inequitable conduct practiced by STK, its employees and its agent(s) during the prosecution of the Ludlam '857 patent-in-suit. The failure of STK, its employees or agent(s) to disclose to the United States Patent Office material prior art known to STK prior to the issuance of the Ludlam '857 patent-in-suit constitutes inequitable conduct. For example, EMC made STK aware of material prior art to the Ludlam '857 patent-in-suit by EMC's Supplemental Response to STK's Interrogatory Nos. 10-17, served on STK on July 25, 1995, prior to the October 17, 1995 issuance of the Ludlam '857 patent-in-suit. The Supplemental Response to STK's Interrogatory Nos. 10-17 identified material prior art not disclosed by STK to the United States Patent Office. Since STK has brought to the attention of the patent examiner the prior art cited by EMC in EMC's initial Response to STK's Interrogatory Nos. 10-17, yet failed to do so for the July 25, 1995 response, it is clear that such a withholding by STK was willful with the intent to mislead the patent examiner wrongfully into allowing the case. Furthermore, upon information and belief, STK and those substantially involved in the prosecution of the patent-in-suit failed to advise the patent examiner of other known remote dual copy prior art and did so with the intent to mislead the patent examiner into allowing the '857 patent-in-suit

but they can be used to supplement pleadings which comply with Rule 9(b).<sup>183</sup> The Delaware approach makes little sense and creates uncertainty and room for gamesmanship. It makes little sense because, if the pleading is sufficient under Rule 9(b), then no clarification is required in a brief. It leaves uncertainty and room for mischief because a defendant cannot rely on its interrogatory responses to provide additional detail unless its answer meets Rule 9(b)—and it will know that only if the plaintiff complains.

The courts provide no guidance as to whether accused infringers may rely on discovery responses or are limited to their answers. This allows for dismissal of important matters of public concern due to pleading games rather than on the merits, and is antithetical to the purposes of the Federal Rules.<sup>184</sup>

### *B. A Better Approach*

#### 1. Federal Circuit Law Applies

The Federal Circuit applies regional circuit law to procedural matters "that are not unique to patent issues."<sup>185</sup> The district courts have, without exception, applied regional circuit law to the question of what Rule 9(b) requires of accused infringers who plead inequitable conduct.<sup>186</sup>

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to issue.

*Id.* at 1262–63. However, the court held that the pleading was insufficient under Rule 9(b) because it referred to the interrogatory response for the identity of the prior art. *Id.* at 1263. The court held that the defendant could not refer to its interrogatory response, but instead had to mention the prior art in its answer. *Id.* at 1264.

183. *Id.* at 1263. Likewise, briefs of the defendant can "clarify" a pleading which is sufficient on its face. *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, No. 99-CV-279-SLR, 2000 WL 1481015, at \*2 (D. Del. Sept. 29, 2000).

184. A patentee's demand that the details be plead in a public pleading turns Rule 9(b)'s policy of avoiding embarrassing public charges of fraud on its head. In addition, the patentee can choose to impose costs on the defendant of amending its answer even though the requisite details have been disclosed to the plaintiff in discovery.

185. *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1574–75 (Fed. Cir. 1984).

186. Only two cases actually considered whether courts should follow regional circuit law or the law of the Federal Circuit, and both applied regional circuit law. *Davidson v. Cao*, 211 F. Supp. 2d 264, 285–86 (D. Mass. 2002); *Systemation, Inc. v. Engel Indus., Inc.*, 183 F.R.D. 49, 51 (D. Mass. 1998). The rest of the courts applied the law of their circuit in determining what Rule 9(b) required of accused infringers, though without analyzing the propriety of applying regional circuit law. *Videojet Sys. Int'l, Inc. v. Eagle Inks, Inc.*, 14 F. Supp. 2d 1046, 1049 (N.D. Ill. 1998) (applying Seventh Circuit standards); *EMC Corp.*, 921 F.

However, Federal Circuit law should apply to the question of whether Rule 9(b) applies to inequitable conduct, and if so, how it applies. Procedural matters that "are related to patent issues" are governed by Federal Circuit law.<sup>187</sup> A procedural issue is related to patent issues where it (1) is itself a "substantive patent law" issue; (2) "pertain[s] to patent law;" (3) "bear[s] an essential relationship to matters committed to [the Federal Circuit's] exclusive control by statute;" or (4) "clearly implicate[s] the jurisprudential responsibilities of [the Federal Circuit] in a field within its exclusive jurisdiction . . . ."<sup>188</sup>

Under any of these tests, Federal Circuit law applies. Its application can be outcome determinative. Foremost, whether an allegation sufficiently alleges "inequitable conduct" is clearly a substantive patent issue turning entirely on federal patent law decided by the Federal Circuit.<sup>189</sup> In addition, if, as some courts hold, a defendant may not seek discovery without first pleading the defense in detail, the defense will be foreclosed in many cases. Accordingly, Federal Circuit law controls.<sup>190</sup>

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Supp. at 1263 (applying Third Circuit law); *Samsung Elec. Co. v. Texas Instruments, Inc.*, 39 U.S.P.Q.2d 1673 (N.D. Tex. 1996) (applying Fifth Circuit standards); *Optical Coating Lab., Inc. v. Applied Vision Ltd.*, No. C-92-4689MHP, 1995 WL 150513 (N.D. Cal. March 20, 1995) (applying Ninth Circuit standards).

187. *Panduit Corp. v. All States Plastic Mfg. Co.*, 744 F.2d 1564, 1575 n.14 (Fed. Cir. 1984).

188. *Bose Corp. v. JBL, Inc.*, 274 F.3d 1354, 1360 (Fed. Cir. 2001); *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1360 (Fed. Cir. 1999).

189. Where the procedural issue turns on a substantive area of patent law, then Federal Circuit law applies. *Fiskars, Inc. v. Hunt Mfg. Co.*, 279 F.3d 1378, 1381 (Fed. Cir. 2002) (Although Federal Circuit applies regional circuit law in applying Fed. R. Civ. P. 60(b) because they "commonly involve procedural matters unrelated to patent law issues as such" it would apply Federal Circuit law to the denial of a motion under that rule where the precise issue turns on a substantive patent issue).

190. Virtually all other procedural issues are subject to the law of the regional circuit, since they "involve[] an interpretation of the Federal Rules of Civil Procedure not unique to patent law." *Nike Inc. v. Wolverine World Wide, Inc.*, 43 F.3d 644, 648 (Fed. Cir. 1994) (regional circuit law governed sanctions granted under Fed. R. Civ. P. 37); *see, e.g., Genentech, Inc. v. Amgen, Inc.*, 289 F.3d 761, 768 (Fed. Cir. 2002) (regional circuit law applies to denial of motion under Fed. R. Civ. P. 56(f)); *Ecolab, Inc. v. Paraclipse, Inc.*, 285 F.3d 1362, 1369 (Fed. Cir. 2002) (regional circuit law applies to preservation of error under Fed. R. Civ. P. 51); *Kohus v. Toys R. US, Inc.*, 282 F.3d 1355, 1357 (Fed. Cir. 2002) (award of costs under Rule 54(d) governed by regional circuit law); *Vulncaan Eng'g Co. v. Fata Aluminum, Inc.*, 278 F.3d 1366, 1379 (Fed. Cir. 2002) (regional law applied to timeliness of motion for new trial under Fed. R. Civ. P. 59); *Arachnid, Inc. v. Medalist Mktg. Corp.*, 972 F.2d 1300, 1304 (Fed. Cir. 1992) (question of inconsistency of jury findings is governed by regional circuit law); *Datascope Corp. v. SMEC, Inc.*, 962 F.2d 1043, 1044-45 (Fed. Cir. 1992) (operation of Fed. R. Civ. P. 15(a) is governed by regional circuit law); *Wang Lab., Inc. v. Applied Computer Sciences, Inc.*, 958 F.2d 355, 358 (Fed. Cir. 1992) (holding that operation

However, the district courts uniformly—if unthinkingly—apply regional circuit law. The only court to consider the issue of whether regional circuit law would control reasoned that it should.<sup>191</sup> That district court relied on *Formax Inc. v. Hostert*,<sup>192</sup> to support its conclusion that regional circuit law applied. *Formax*, however, did not involve an appeal of a patent issue,<sup>193</sup> and so did not analyze whether the Federal Circuit would apply its law to whether Rule 9(b) applied to inequitable conduct. Instead, *Formax* analyzed whether a RICO violation had been pleaded in conformance with that rule,<sup>194</sup> concluding that regional circuit law determined whether a RICO claim had been pleaded.<sup>195</sup>

The application of regional circuit law by the remaining courts is particularly inexplicable in light of their own repeated observation that the Federal Circuit has not passed upon whether Rule 9(b) applies.<sup>196</sup> The fact that many of the district courts have mentioned that the Federal Circuit has not yet addressed whether Rule 9(b) applies suggests that they recognize the question is bound up in patent law, and that the Federal Circuit's decision controls, not the decisions of the regional circuit. If Federal Circuit law controls as to *whether* Rule 9(b) applies, then clearly Federal Circuit law controls *how* the Rule should be applied. The practice of these courts, however, of applying regional standards to patent cases is incompatible with the notion that Federal Circuit law governs the issue.

## 2. A Proposed Framework for Application of Rule 9(b) to Inequitable Conduct Claims

This section advocates a uniform application of Rule 9(b) to inequitable conduct. It first argues that discovery should be granted into

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of judicial estoppel is controlled by regional circuit's law); *Panduit*, 744 F.2d at 1574–75 (noting that attorney disqualification is governed by regional circuit law).

191. *Systemation, Inc. v. Engel Indus., Inc.*, 183 F.R.D. 49, 51 (D. Mass. 1998). The court in *Davidson v. Cao*, 211 F. Supp. 2d 264, 286 (D. Mass. 2002), relied on *Systemation* for its conclusions that regional circuit law applied.

192. 841 F.2d 388 (Fed. Cir. 1988).

193. *Id.* at 389 ("The patent count is not involved in the present appeal.").

194. *Id.* at 389–90.

195. *Id.* at 390. Significantly, the *Formax* court cited *Panduit*, 744 F.2d at 1575. The *Panduit* court states that when the Federal Circuit "review[s] procedural matters that do not pertain to patent issues, we sit as if we were the particular regional circuit court where appeals from the district court we are reviewing would normally lie." *Id.* The *Formax* court thereby recognized that whether a civil RICO claim has been properly plead is a procedural issue that does not pertain to patent issues.

196. *See, e.g.*, cases cited *supra* note 1.

facts relating to inequitable conduct, even if not pleaded. Second, it argues that amendment to plead an inequitable conduct defense should be freely given, and that courts should view arguments of delay or prejudice with skepticism. Finally, it describes allegations defendants ought to be required to plead to comply with Rule 9(b) when alleging common types of inequitable conduct.

*a. Discovery Should be Broadly Allowed Even Without an Allegation of Inequitable Conduct, and into Areas Broader than a Properly Pleaded Allegation*

Because of the fact that the defendant is a stranger to the patentee's communications with the Patent Office, the public interest in ferreting out inequitable conduct, and the lack of enforcement by the Patent Office, courts should not permit Rule 9(b) to be used to prevent discovery into whether inequitable conduct has occurred.<sup>197</sup> Thus, where a defendant has not pleaded inequitable conduct, discovery into whether such conduct occurred should still be allowed. Likewise, where a defendant has pleaded inequitable conduct in compliance with Rule 9(b), discovery should still be allowed more broadly than the issues pleaded.

Nor should the defendant be required to plead that there are "other" examples of inequitable conduct in order to keep the door open for supplementation.<sup>198</sup> During discovery in a patent suit, the

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197. Where the accused infringer has a reasonable apprehension of being sued for infringement of a patent, it can bring a declaratory judgment action against the patent owner. *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993). Despite the fact that accused infringers frequently bring declaratory judgment actions in order to resolve whether they infringe a valid patent, in only one such case did the accused infringer seek a declaration that the patent was unenforceable. *PPG Indus., Inc. v. Celanese Coatings Co.*, 176 U.S.P.Q. 235, 236 (D. Md. 1972). In that case, the court held that the bare allegation that the patent was unenforceable was insufficient and ordered the defendant to replead. *Id.*

Where, as in *PPG Industries*, an accused infringer brings an affirmative claim of inequitable conduct in a declaratory judgment action, then the accused infringer more closely stands in the same posture as a plaintiff who brings a claim for fraud. There is less asymmetry of information between a fraud plaintiff and defendant, on the one hand, and an inequitable conduct defendant and the patentee on the other. See *supra* note 103 and accompanying text. Accordingly, even a plaintiff seeking a declaration that a patent is unenforceable is not in the same position as the typical fraud plaintiff.

198. In *Agere Sys. Guardian Corp. v. Proxim, Inc.*, 190 F. Supp. 2d 726, 733 (D. Del. 2002), the defendant plead specific instances of inequitable conduct but also stated that there may be "other" instances. The court rejected the plaintiff's suggestion that the defendant could not later identify additional instances of inequitable conduct. *Id.* at 734. A defendant

information disclosing whether inequitable conduct has occurred will reside in the plaintiff's hands. Yet, courts have intimated that discovery can be limited to the specific inequitable conduct pleaded.<sup>199</sup> The better rule is that a party should not be limited to the inequitable conduct pleaded. Again, the usual protections afforded to litigants should provide ample protection against unwarranted fishing expeditions, particularly since the scope of discovery will be limited.

*b. Amendments Should be Freely Given*

Because at the outset of a patent suit the defendant will be unlikely to possess sufficient facts to plead inequitable conduct at the level of detail demanded by Rule 9(b),<sup>200</sup> courts should be willing to permit defendants to amend pleadings to include the inequitable conduct defense; allow discovery responses to provide the requisite details, or, at least where there is no surprise, to permit the pretrial order to do so.<sup>201</sup> Opposition to amendment or other claims by the plaintiff of delay or prejudice should be carefully scrutinized, since a plaintiff should not be able to use Rule 9(b) to preclude defendants from asserting inequitable conduct claims before they discover the specific factual basis, but then argue unfair delay when the defendant raises the claim promptly after those facts were discovered and apprehended.<sup>202</sup> Accordingly, in

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who has properly plead inequitable conduct, however, should not be required to plead that there are "other" instances in order to have the right to identify them in discovery or to amend later to assert those specific instances. Whether a defendant properly amends to assert such later-found claims, or properly identifies them in response to a discovery request, is governed by Rule 15 and Rule 26, not Rule 9(b).

199. *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, No. 99-CV-274-SLR, 2000 WL 1481015, at \*3 (D. Del. Sept. 29, 2000) ("[I]nsufficiently pled allegations of inequitable conduct shall not be used to justify subsequent discovery into such allegations."); *Sun-Flex Co. v. Softview Computer Prods. Corp.*, 750 F. Supp. 962, 964 (N.D. Ill. 1990) ("While an interrogatory answer submitted by defendants contains some examples of the alleged inequitable conduct, the court finds that it would be more appropriate for defendants to properly amend their answer before the parties embark on extensive discovery regarding the issue of fraud.").

200. *See supra* note 101-09 and accompanying text.

201. *See, e.g., Moore U.S.A., Inc. v. Standard Register Co.*, 139 F. Supp. 2d 348, 360 (W.D.N.Y. 2001) ("[T]he court dismisses counterclaims five and six without prejudice and directs SRC to seek leave to amend its pleadings again once SRC believes it has discovered information that can form the basis for properly pled counterclaims based upon inequitable conduct."); *Go Med. Indus. PTY, Ltd. v. C.R. Bard, Inc.*, No. 1:93 CV-1538-HTW, 1995 WL 605802, at \*5 (N.D. Ga. July 6, 1995) (permitting defendant to amend answer to allege inequitable conduct claims based upon facts learned during discovery); *Sun-Flex Co.*, 750 F. Supp. at 964 (striking answer but giving defendants twenty days to amend their answer).

202. A few courts have recognized that the hurdle created by Rule 9(b) should be taken

assessing whether a defendant has unnecessarily delayed or a plaintiff would be prejudiced by amendment, courts should take into account that the defendant may not have asserted the defense to avoid violating Rule 9(b).<sup>203</sup>

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into account when a defendant later seeks to amend to assert inequitable conduct. For example, in *Go Med.*, the defendant moved to amend its answer to allege an inequitable conduct defense. In allowing amendment the court reasoned:

In response, plaintiff claims that defendant has known about the alleged facts supporting its motion since September 1994, thus defendant failed to move to amend its answer within a reasonable time. While defendant may have obtained some information to support its new allegations in September of 1994, this court will not penalize defendant for obtaining additional, confirming information in January 1995 to support its claims—especially given that Rule 9(b) requires that allegations of fraud, such as inequitable conduct before the U.S. Patent Office, be stated with particularity.

Plaintiff also claims that it would be substantially prejudiced if defendant's motion (filed at the close of discovery) was granted, as plaintiff would be unable to conduct discovery regarding these new allegations. This court is not persuaded by this argument either. Plaintiff has not indicated the type of discovery it would desire undertake if defendant's motion is granted; in addition, plaintiff does not claim that defendant possesses any documents or other information that would be relevant to its claims that plaintiff acted inequitably.

This court concludes that Rule 15(a) and applicable case law dictate that defendant should be allowed to amend its answer. Plaintiff has not shown that the amendment would cause undue delay, would prejudice plaintiff, or would be futile. Nor has plaintiff shown bad faith or dilatory motive on the part of defendant. Thus, this court GRANTS defendant's motion for leave to amend answer.

1995 WL 605802, at \*4 (footnotes omitted); *see also* Rhone-Poulenc Agro S.A. v. Montesanto Co., 73 F. Supp. 2d 537, 538–39 (M.D.N.C. 1999) (allowing amendment after deadline for amending pleadings had passed since "by waiting until after the depositions to file its Motion, Montesanto . . . [defendant] appropriately fulfilled its obligation to investigate its claim thoroughly prior to making it"); Heidelberg Harris, Inc. v. Mitsubishi Heavy Indus., Inc., 42 U.S.P.Q.2d 1369, 1373 (N.D. Ill. 1996) (allowing amendment even after fact discovery closed over plaintiff's objection of prejudice since plaintiff "was unable to articulate any specific examples of how it would be prejudiced or what it would have done differently had it been made aware of this defense earlier.").

203. The court did so in *Advanced Cardiovascular Systems, Inc. v. Scimed Life Systems, Inc.*, 989 F. Supp. 1237, 1247 (N.D. Cal. 1997). There the defendant sought leave to amend to assert an inequitable conduct defense. *Id.* at 1241. The plaintiff opposed the motion to amend, contending that the defendant had known of the facts underlying the defense from the time it obtained the prosecution history from the patent office. *Id.* at 1247. The defendant argued that it had not delayed since it filed for leave to amend as soon as it took the deposition of the inventor who had met with the examiner. *Id.* The court rejected the notion of undue delay, recognizing that "because the legal theory implicates Federal Rule of Civil Procedure 9(b), requiring pleading of fraud with particularity, [defendant] was entitled to confirm factual allegations before amending to include the inequitable conduct defense." *Id.* Similarly, where a defendant pleads inequitable conduct without the requisite detail, dismissal should "almost always" be accompanied by leave to amend. *Townshend v.*



*c. The Specificity Required Should Depend on the Nature of the Inequitable Conduct Alleged, but Allegations of Time and Place are Largely Superfluous*

With respect to the level of detail required, rather than following regional circuit law which is not tailored to inequitable conduct, courts should impose requirements that are specific to the kind of inequitable conduct alleged. Although inequitable conduct can take a myriad of forms, the following gives some guidance on common fact patterns.

Because inequitable conduct turns on the intent and knowledge of a single person, the accused infringer should be required to identify which person knew of the material information and either failed to disclose it or misrepresented it.<sup>204</sup> Averments that the attorneys or the plaintiff (where the plaintiff is a corporate entity) knew of the misrepresentation should be held insufficient, since it is not enough that someone employed by the corporation knew of material information; a person substantively involved in the prosecution must have known it.<sup>205</sup> Similarly, if a submission allegedly was made without disclosing material information, the accused infringer should be required to identify the person involved in prosecution who knew the information.

Second, because inequitable conduct arises only if material information is withheld or misrepresented, the accused infringer should be required to plead facts explaining why the information was material to patentability. For example, if testing data was allegedly improperly withheld, the defendant should state why an examiner would have found the data important in allowing the patent. Did it undercut data that was submitted? Did it show that the results that were submitted were

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Rockwell Int'l Corp., 55 U.S.P.Q.2d 1011, 1024 (N.D. Cal. 2000) (dismissing claim for failure to comply with Rule 9(b) but also granting leave to amend); JAMES W. MOORE ET AL., 2 MOORE'S FEDERAL PRACTICE § 9:03[4] n.48 (3d ed. 2002).

204. *In re Papst Licensing GMBH Patent Litig.*, 174 F. Supp. 2d 446, 449 (E.D. La. 2001) ("A pleading should also identify the person who made the misrepresentations . . ."). The *Papst* court went on to state that the pleading should identify "what that person obtained by making the misrepresentation." *Id.* Requiring the defendant to plead what the plaintiff obtained is not correct. "Obtaining something" is not an element of inequitable conduct. See *supra* note 8 and accompanying text. The defendant is not required to show that but for the misrepresentation or omission, the applicant would not have received the patent. Instead, it must merely establish that a reasonable examiner would have found the information important in making that decision. See *supra* note 10 and accompanying text.

205. See *supra* notes 129-31 and accompanying text. *But see* Poly-Am., Inc. v. GSE Lining Techn., Inc., No. A 3:96-CV-2690, 1998 WL 355477, at \*3 (N.D. Tex. June 29, 1998) (finding pleading which alleged that a corporate "[d]efendant and its attorneys" committed inequitable conduct by failing to disclose, or misrepresenting, various facts).

atypical? Similarly, if prior art has been withheld, the defendant should state whether the art was anticipatory or, if not, why it would have been important to the decision to allow the patent to issue.

Third, if prior art was allegedly withheld, the defendant should be required to identify the reference and the identity of the person substantively involved in the prosecution who knew about it.<sup>206</sup> In many cases, that may be enough to satisfy Rule 9(b). However, where the patent claims are complex, prosecution history is especially involved or complicated, or where the withheld reference is unusually long or arcane, the defendant may be required to identify which claim element the reference is material to, which portion of the reference is material, or both. For example, if a patentee is accused of withholding a chemical dictionary, the defendant should be required to identify which definition from the dictionary is material.

Fourth, if test data was allegedly misrepresented, the defendant should be required to specify the test data (by referring to bates number or lab notebook pages, for example); specify the submission to the Patent Office where the data was misrepresented; to identify the persons who were substantively involved in the prosecution of the patent who knew of the data; and to briefly explain why any inaccuracy in the submission would have been material to the examiner.<sup>207</sup> Similarly, where data material to patentability was allegedly withheld,

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206. See, e.g., *In re Papst*, 174 F. Supp. 2d at 448 (allegation insufficient since it did not specify prior art that had been withheld); *Rhone-Poulenc Agro S.A. v. Monsanto Co.*, 73 F. Supp. 2d 537, 539 (M.D.N.C. 1999) (allegation sufficient because it identified which prior art had been withheld); *Systemation, Inc. v. Engel Indus., Inc.*, 183 F.R.D. 49, 51 (D. Mass. 1998) (allegation insufficient because it failed to identify which prior art had been withheld); *Advanced Cardiovascular Sys. Inc. v. Medtronic Inc.*, 41 U.S.P.Q.2d 1770, 1775 (N.D. Cal. 1996) (allegation insufficient since it did not specify what art had been withheld); *EMC Corp. v. Storage Tech. Corp.*, 921 F. Supp. 1261, 1263 (D. Del. 1996) (allegation which did not specify which prior art was withheld was insufficient); *Raychem Corp. v. PSI Telecomm., Inc.*, No. C-93-20920 RPA, 1995 WL 108193, at \*2-3 (N.D. Cal. Mar. 6, 1995) (holding allegation sufficient where it alleged in-house counsel was familiar with a specific prior art reference but had failed to disclose it to the Patent Office); *Schwarzkopf Tech. Corp. v. Ingersoll Cutting Tool Co.*, 820 F. Supp. 150, 154 (D. Del. 1992) (allegation which identified prior art was sufficient); *Intel Corp. v. Hyundai Elecs. Am., Inc.*, 692 F. Supp. 1113, 1116 & n. 2 (N.D. Cal. 1987) (allegation that two specific patents should have been disclosed as anticipatory prior art held sufficient); *Papst Motoren GMBH & Co. KG v. Kanematsu-Goshu (U.S.A.), Inc.*, 629 F. Supp. 864, 870 (S.D.N.Y. 1986) (allegation which identified the prior art withheld and the person who knew of it sufficient).

207. *E.I. du Pont de Nemours & Co. v. Abbott Labs.*, No. 90-C-7338, 1992 WL 245642, at \*3 (N.D. Ill. Sept. 18, 1992).

the defendant should specify the data.<sup>208</sup>

Fifth, if an affidavit or Office action was submitted which contained misleading statements of fact, the defendant should be required to specify, not just the submission, but "to state specifically what part of that document is deceptive."<sup>209</sup> Submissions to the PTO can be lengthy, and merely identifying the document *in toto* in many cases will be insufficient.<sup>210</sup> The defendant should also allege why the passage is deceptive.<sup>211</sup>

Sixth, if the applicant had made and intentionally failed to disclose an invalidating prior public use or sale, the defendant should be required to identify when and where the sale or use was made. For example, the defendant should be required to plead the date of the sale, the identity of the buyer, and the identity of any documents evidencing the sale.<sup>212</sup>

*d. Defendants Should be Allowed to Use Interrogatories to Provide Minutiae*

Where a defendant adequately pleads inequitable conduct, he should not be required to amend his answer each time he locates additional instances of inequitable conduct.<sup>213</sup> As noted above, several

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208. *Rhone-Poulenc Agro S.A.*, 73 F. Supp. 2d at 538-39 (finding pleading complied with Rule 9(b) since it identified "the specific information regarding . . . testing that should have been . . ." submitted to the Patent Office).

209. *Chiron Corp. v. Abbott Labs.*, 156 F.R.D. 219, 222 (N.D. Cal. 1994).

210. *Id.* (holding that merely identifying a seven page, fifteen paragraph affidavit was insufficient).

211. *Videojet Sys. Int'l, Inc. v. Eagle Inks, Inc.*, 14 F. Supp. 2d 1046, 1049 (N.D. Ill. 1998) (upholding inequitable conduct claim where defendant explained why submission was deceptive and material); *see, e.g., Miller Pipeline Corp. v. British Gas PLC*, 69 F. Supp. 2d 1129, 1135-37 (S.D. Ind. 1999).

212. *Poly-Am., Inc. v. GSE Lining Tech., Inc.*, No. A 3:96-CV-2690, 1998 WL 355477, at \*4 (N.D. Tex. June 29, 1998) (holding claim properly plead where it identified when and where prior public use had been made). Some courts have held sufficient allegations that the patentee failed to disclose that a product as claimed "was in public use" before the alleged invention. *Intel Corp. v. Hyundai Elecs. Am., Inc.*, 692 F. Supp. 1113, 1116 & n.2 (N.D. Cal. 1987). These general allegations should be held to be insufficient: the defendant should identify, by model number or other identifier, what product or process allegedly constituted the prior sale or use. *See Horwitt v. Movado Watch Agency, Inc.*, 364 F. Supp. 687, 690 (S.D.N.Y. 1973) (pleading which identified by year and model numbers the alleged prior sales held sufficient under Rule 9(b)).

213. *But see Energy Absorption Sys. v. Roadway Safety Serv. Inc.*, 28 U.S.P.Q.2d 1079, 1080 (N.D. Ill. 1992) (requiring defendant to amend its answer to reflect the detail it provided in discovery responses).

courts have held that requiring a defendant to plead what he has placed in his interrogatory answers places form over substance:<sup>214</sup> notice, not formal pleading, is required. Furthermore, requiring a party to state specifics of fraud in a pleading undermines one of the rationales underlying Rule 9(b)—to avoid public embarrassment.<sup>215</sup>

*e. Existing Exception to Rule 9(b) Should be Applied to Original Answers Pleading Inequitable Conduct*

Outside of the patent context, courts regularly recognize that Rule 9(b)'s requirements should be relaxed where the information is within the control of the opposing party.<sup>216</sup> Where the defendant controls the facts, the party asserting fraud need not plead with particularity, but instead must only "'adduce specific facts supporting a strong inference of fraud' . . . allege that the necessary information lies within the defendant's control'" and include "'a statement of facts upon which allegations are based.'"<sup>217</sup> Likewise, courts have permitted pleading "on

214. *See supra* notes 174–76.

215. A party who improperly pleads inequitable conduct may be sanctioned under Fed. R. Civ. P. 11, while a party who improperly includes it in an interrogatory response may be sanctioned under Fed. R. Civ. P. 26 (g)(2) and 37 (c).

216. *Concha v. London*, 62 F.3d 1493, 1503 (9th Cir. 1995) ("Even in cases where fraud is alleged, we relax pleading requirements where the relevant facts are known only to the party accused of fraud"); *Peters v. Amoco Oil Co.*, 57 F. Supp. 2d 1268, 1280 (M.D. Ala. 1999) ("[T]he heightened pleading requirement of Rule 9(b) may be relaxed somewhat if the defendant controls information required for proper pleading.") (quoting *United States v. E. Ala. Healthcare Auth.*, 953 F. Supp. 1404, 1413 (M.D. Ala. 1996)).

217. *U.S. v. E. Ala. Healthcare Auth.*, 953 F. Supp. 1404, 1413 (M.D. Ala. 1996) (quoting *U.S. ex rel. Stinson, Lyons, Gerlin & Bustamante, P.A. v. Blue Cross Blue Shield, Inc.*, 755 F. Supp. 1040, 1052 (S.D. Ga. 1990)). A similar rationale underlies the exclusion of fiduciary duty claims. A case explaining why Rule 9(b) applies to fraud claims, but not breach of fiduciary duty claims, explained:

The reasons for requiring compliance with Rule 9(b) in fraud claims, but not in breach of fiduciary duty claims generally, can be understood by considering the differences between the respective causes of action. Fraud arises from the plaintiff's reliance on the defendant's false representations of material fact, made with knowledge of falsity and the intent to deceive. Plaintiffs may fairly be expected to identify with specificity the defendant's alleged misrepresentations . . . . Rule 9(b) thus requires that plaintiffs specifically plead those facts surrounding alleged acts of fraud to which they can reasonably be expected to have access.

In contrast, the circumstances surrounding alleged breaches of fiduciary duty may frequently defy particularized identification at the pleading stage . . . . [T]he victim of his misconduct often will not, at the time he files his complaint, be in a position to describe with particularity the events constituting the alleged misconduct. These facts will frequently be in the exclusive possession of the breaching fiduciary.

information and belief" where the facts constituting fraud are particularly within the knowledge of the adverse party, so long as the party pleading the defense identifies the information upon which the allegation of fraud is based.<sup>218</sup>

These exceptions to the strictures of Rule 9(b) would clearly apply to most inequitable conduct claims, since accused infringers typically will not have even had access to the prosecution history of the patent prior to suit being filed, and will rarely have any insight, let alone information sufficient to satisfy Rule 11, into what information the applicant possessed but did not disclose to the Patent Office.

However, they have not been applied to inequitable conduct claims. The only court to even note the fact that inequitable conduct was an affirmative defense, and not a claim for relief, properly recognized that by itself that did not mean that inequitable conduct was not covered by Rule 9(b).<sup>219</sup> However, it failed to consider whether that fact affected how strictly Rule 9(b) should be applied. If inequitable conduct is covered by Rule 9(b), these exceptions or relaxed views of the level of detail required should be applied.

## VI. CONCLUSION: BLAME THE INSTRUCTOR, NOT THE STUDENTS

Having concluded that the district courts have been wrong about everything, it should be emphasized that any blame rests with the teacher, the Federal Circuit, and not the students—defense counsel or the district courts. Though charged with bringing uniformity and coherence to patent law, the Federal Circuit has instead on its watch waffled on the elements of inequitable conduct, lowered the burden of proof, and then blamed defense attorneys who relied on its decisions, saying they had brought a plague on the patent system.

The foregoing teaches that the courts should not apply Rule 9(b) to inequitable conduct, since it simply does not apply. But to the extent courts find that I am the poor student in that respect, this Article teaches how to apply that rule to the unique issue of inequitable conduct

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*Concha*, 62 F.3d at 1503 (citations omitted).

218. MOORE, *supra* note 203, § 9:03[1][g]; see *Videojet Sys. Int'l, Inc. v. Eagle Inks, Inc.*, 14 F. Supp. 2d 1046, 1049 (N.D. Ill. 1998) (holding in inequitable conduct case that "[a]llegations made 'upon information and belief' are only insufficient if a party also fails to state the grounds for the suspicion of inequitable conduct.").

219. *Chiron Corp. v. Abbott Labs.*, 156 F.R.D. 219 (N.D. Cal. 1994) ("Rule 9(b) makes no exceptions for affirmative defenses or particular types of fraud."). Wright & Miller agree that it applies to affirmative defenses. WRIGHT & MILLER, *supra* note 34, § 1297.

in a way that fosters the purpose of Rule 9(b) while giving consideration to the interests of the public and the patent system.

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