No. 18-378

IN THE
Supreme Court of the United States

MERCK & CO., INC., MERCK SHARP & DOHME CORP., AND IONIS PHARMACEUTICALS, INC.,
Petitioners,

v.

GILEAD SCIENCES, INC.,
Respondent.

On Petition for Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF CELGENE CORPORATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

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QUESTION PRESENTED

Whether the Federal Circuit erred by creating an exception in patent cases that uses the equitable doctrine of unclean hands to overturn a jury's verdict awarding legal relief in the form of damages to the patent owner.

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INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae Celgene Corporation (Celgene) is an innovator biopharmaceutical company that discovers, develops, and delivers truly innovative and life-changing therapies for patients afflicted with cancer and severe immune-inflammatory diseases. Since its founding in 1986, Celgene has developed a number of such innovative therapies, including for the treatment of acute myeloid leukemia, lung cancer, pancreatic cancer, mantle cell lymphoma, multiple myeloma, myelodysplastic syndromes, psoriasis, and psoriatic arthritis.

These groundbreaking therapies are the result of billions of dollars in research and development efforts by Celgene. Celgene relies on patents and the protections of the United States patent laws to continue its investments in and discovery of life-changing therapies for patients.

Celgene believes the Federal Circuit's special patent rule on the equitable doctrine of unclean hands is erroneous and threatens rather than encourages innovation. This case exemplifies the erroneous application of this equitable doctrine beyond equity to extinguish patent rights and punish patent owners at law.

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[1] Pursuant to Supreme Court Rule 37.2, counsel of record for all parties in this case received notice of the intention to file this brief at least 10 days before its due date. Pursuant to Supreme Court Rule 37.6, *amicus* and its counsel certify that no party's counsel authored this brief in whole or in part, and no person or entity, other than *amicus*, made a monetary contribution for the preparation or submission of this brief. All parties have consented to the filing of this brief.

Celgene therefore respectfully urges this Court to grant the petition for writ of certiorari and reverse the ruling of the Federal Circuit.

INTRODUCTION AND SUMMARY OF ARGUMENT

The judgment at issue, from the U.S. Court of Appeals for the Federal Circuit in a patent-infringement case, permits the equitable doctrine of unclean hands to overturn a jury's verdict and extinguish the patent owner's legal rights in valid and infringed patents. That rule departs from jurisprudence in this Court and is contrary to traditional American rules and jury verdicts. This Court's review is warranted.

For innovators like Celgene, whose intellectual property is of tremendous importance and value, it is simply not the proper role of the Federal Circuit to create judge-made exceptions to longstanding Supreme Court precedent and traditional American rules and principles. As important, the Federal Circuit's rule engenders uncertainty in a patent owner's rights to valid and admittedly infringed patents and particularly threatens biopharmaceutical innovators, like Celgene, from investing the billions of dollars over decades in research and development needed to discover new drugs.

The traditional rule in American law is that unclean hands is an equitable doctrine that does not apply to legal claims for damages. *See, e.g., Mfrs.' Fin. Co. v. McKey*, 294 U.S. 442, 453 (1935) (holding that legal rights are not "subject to denial or curtailment in virtue of equitable principles applicable only against one who affirmatively has sought equitable

relief").

Patent law is no exception. Even after the procedural merger of law and equity with the enactment of the Federal Rules of Civil Procedure in 1938, this Court continued to distinguish between equitable and legal relief, including in patent cases. *See Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 270 (1944) (holding that patent owner's "unclean hands" barred its claims for equitable relief), *overruled on other grounds by Standard Oil Co. v. United States*, 429 U.S. 17, 18 (1976); *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 819 (1945) (holding that patent owner's unclean hands barred its "suit in equity").

This Court recently reaffirmed this traditional American rule in two intellectual property cases, *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S. Ct. 954 (2017), and *Petrella v. MGM, Inc.*, 134 S. Ct. 1962 (2014). In both cases, this Court held the equitable doctrine of laches does not bar a legal claim for damages when brought within the applicable statute of limitations. In both cases, the Court based its holding on the traditional American rule distinguishing between legal and equitable relief. *SCA Hygiene*, 137 S. Ct. at 965 (holding that "a patentee, during the period in question, could always sue for damages in law, where the equitable doctrine of laches did not apply"); *Petrella*, 134 S. Ct. at 1974 (holding that "laches cannot be invoked to bar legal relief" in copyright cases).

The Federal Circuit's decision below disregards this longstanding, binding precedent and creates a dangerous exception to the traditional American rule.

Courts already have broad discretion in deciding equitable issues, but subject to the boundaries of law and equity. If the Federal Circuit's decision is left to stand, its broad doctrine will allow judges to extinguish a patent owner's legal rights in valid and infringed patents. This departure from well-established, principled boundaries presents a profound threat to innovation in the United States. Review is warranted here.

ARGUMENT

I. THE FEDERAL CIRCUIT'S UNCLEAN HANDS EXCEPTION TO THE TRADITIONAL AMERICAN RULE IS RIPE FOR REVIEW

This Court has repeatedly cautioned the Federal Circuit against creating special, judge-made rules and exceptions in patent cases. In *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), this Court did so in the equity context relevant here, rejecting the notion that special rules apply to patent cases: "[F]amiliar equitable principles apply with equal force to disputes arising under the Patent Act." *Id.* at 391-92.

The Court's direction has been clearly repeated since then. In *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015), this Court again rejected the Federal Circuit's special patent rule, which called for *de novo* review of factual findings in claim construction. *Id.* at 833. This Court cautioned the Federal Circuit that "there is no convincing ground for creating an exception here" from the "ordinary rule governing appellate review of factual matters." *Id.*

Again in *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920 (2015), this Court rejected the Federal Circuit's special rule, this time regarding the role of scienter in patent cases. *Id.* at 1930 (explaining that "[o]ur law is . . . no stranger to the possibility that an act may be 'intentional' for purposes of civil liability") (quoting *Jerman v. Carlisle, McNellie, Rini, Kramer & Ulrich, L.P.A.*, 559 U.S. 573, 582-583, (2010)); *see also Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) ("reject[ing] the Federal Circuit's requirement that patent litigants establish their entitlement to fees under § 285 by 'clear and convincing evidence" and replacing it with the preponderance of the evidence "standard generally applicable in civil actions").

The Court's intervention is likewise warranted here. The Federal Circuit has created a special patent rule for unclean hands without basis in Supreme Court precedent or the Patent Act.

Moreover, the time for review is now. As this Court has recognized, a "patent holder should know what he owns." *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730-731 (2002). "[L]ike any property right, its boundaries should be clear. This clarity is essential to promote progress, because it enables efficient investment in innovation." *Id.* (emphasis added); *Teva*, 135 S. Ct. at 848 (2015) (explaining that "the patent is perhaps better characterized as a reward for feats already accomplished").

The breadth of the Federal Circuit's decision undermines the clarity intended by the patent system. It incentivizes accused infringers to pursue myriad theories of unclean hands and demand bench trials to

nullify jury verdicts. This threatens not only the certainty of jury verdicts, but also the certainty of valid and infringed patents. If an admitted infringer can use unclean hands to extinguish a jury's verdict of patent validity and damages, then the boundaries of a patent are no longer clear.

This deleterious impact on innovators and patent owners, like Celgene, and on the courts, is not merely theoretical. Though this Court has not had the opportunity to address unclean hands in patent cases for more than 70 years, *see Precision Instrument*, 324 U.S. at 819, [2] unclean hands is a commonly pled defense in patent cases.

Accordingly, without this Court's review, the Federal Circuit's decision will deprive biopharmaceutical innovators, like Celgene, of the clarity needed to invest billions of dollars in research and development over decades to discover new drugs. It also destabilizes the entire lifecycle of a drug, by injecting uncertainty from the early phases of research and development to patent issuance, patent enforcement, and a jury verdict.

Because the Federal Circuit has unique jurisdiction over patent cases, only this Court can resolve this outcome-determinative patent controversy. Celgene therefore respectfully urges this Court to grant the petition for writ of certiorari and return this defense to its traditional equitable domain.

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[2] *U.S. Gypsum Co. v. Nat'l Gypsum Co.*, 352 U.S. 457, 465 (1957), had only a passing discussion of unclean hands. This case did not turn on unclean hands, but rather the defense of patent misuse in an antitrust case and thus is not relevant here.

II. THE FEDERAL CIRCUIT'S UNCLEAN HANDS EXCEPTION DISREGARDS THIS COURT'S LONGSTANDING PRECEDENT HOLDING THAT THE EQUITABLE DOCTRINE DOES NOT BAR LEGAL RELIEF, INCLUDING IN PATENT CASES

The origins of the centuries-old equitable doctrine of unclean hands is the maxim: "He who comes into equity must come with clean hands." *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 241 (1933); Richard Francis, *Maxims of Equity* 5-8 (1st ed. 1728) (reporting the unclean hands maxim 290 years ago). The purpose of the equitable doctrine is to preclude plaintiffs from using "a court of equity to derive an advantage from their own wrong." *Kitchen v. Rayburn*, 86 U.S. (19 Wall.) 254, 263 (1873).

In keeping with the traditional distinction between law and equity, this equitable doctrine prevents plaintiffs with unclean hands from obtaining equitable—as opposed to legal—relief. *See Mfrs.' Fin. Co.*, 294 U.S. at 453 (holding that legal rights are not "subject to denial or curtailment in virtue of equitable principles"); *Deweese v. Reinhard*, 165 U.S. 386, 390 (1897) ("A court of equity acts only when and as conscience commands; and, if the conduct of the plaintiff be offensive to the dictates of natural justice, then, whatever may be the rights he possesses, and whatever use he may make of them in a court of law, he will be held remediless in a court of equity."); Samuel L. Bray, *The System of Equitable Remedies*, 63 UCLA L. Rev. 530, 541 (2016) ("Even though remedies have sometimes traveled under the heading of 'procedure,' no merger of legal and equitable remedies was effected by the Federal Rules of Civil Procedure.").

This Court has addressed unclean hands in three

patent cases. In all three decisions, both before and after the procedural merger of law and equity, this Court followed the traditional American rule distinguishing between equitable and legal relief.

In *Keystone Driller Co. v. General Excavator Co.*, this Court "appl[ied] the maxim requiring clean hands only where some unconscionable act of one coming for relief has immediate and necessary relation to the *equity that he seeks*." 290 U.S. at 245 (emphasis added). After the merger of law and equity in 1938, this Court continued to apply unclean hands to plaintiff's equitable claims for relief. *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. at 270 (barring patent owner's equitable claims for unclean hands). Similarly, in its most recent opportunity to address unclean hands—the Court's 1945 decision in *Precision Instrument*—the Court held that a patent owner's unclean hands barred its "suit in equity." 324 U.S. at 819.

But here, the Federal Circuit departed from this Court's longstanding and binding precedent. Instead of using the equitable doctrine to bar plaintiff's equitable claims for relief, the Federal Circuit used unclean hands to overturn a jury's legal damages award and extinguish a patent owner's legal rights in valid and infringed patents. This is despite the fact that the defendant admitted to infringement and the jury, after an 11-day trial, found the asserted patents to be valid and determined that the patent owner was entitled to $200 million in damages for the defendant's admitted infringement. Pet. Br. 11, 13.

As this Court has recognized, "a major departure from the long tradition of equity practice should not be lightly implied." *Weinberger v. Romero-Barcelo*, 456

U.S. 305, 320 (1982). This is such a case meriting review.

III. THE FEDERAL CIRCUIT'S UNCLEAN HANDS EXCEPTION DISREGARDS THIS COURT'S RECENT PRECEDENT IN INTELLECTUAL PROPERTY CASES HOLDING THAT OTHER EQUITABLE DOCTRINES DO NOT BAR LEGAL RELIEF

Complementing the Court's unclean hands cases that date back nearly a century are two recent cases that further cement the parity that equitable doctrines demand, and from which the Federal Circuit's rule departs. In *SCA Hygiene* and *Petrella*, the Court held that the equitable defense of laches does not bar a legal claim for damages when brought within the applicable statute of limitations. While *SCA Hygiene* and *Petrella* concern the equitable defense of laches (in a patent and copyright case, respectively), the Court's reasoning applies equally to the equitable defense of unclean hands. In both cases, the Court based its holding on the traditional rule in American law distinguishing between legal and equitable relief:

In *SCA Hygiene*, the Court declared that *"a patentee*, during the period in question, *could always sue for damages in law, where the equitable doctrine of laches did not apply, and could thus avoid any possible laches defense." SCA Hygiene*, 137 S. Ct. at 965 (emphasis added). Likewise, in *Petrella*, this Court relied on the traditional American rule to hold that *"laches cannot be invoked to bar legal relief"* in copyright cases. *Petrella*, 134 S. Ct. at 1974 (emphasis added).

The Federal Circuit's decision here cannot be

reconciled with *SCA Hygiene* and *Petrella*. This is reason alone to grant review.

IV. THE FEDERAL CIRCUIT'S UNCLEAN HANDS EXCEPTION FINDS NO SUPPORT IN THE PATENT ACT

Nothing in the text or history of the Patent Act justifies a special rule for unclean hands that would bar legal relief in patent cases. This Court has cautioned against the notion that Congress means anything other than what it says in the plain text of the Patent Act. For example, in *eBay*, this Court rejected the Federal Circuit's special patent rule on injunctions in part because "[n]othing in the Patent Act indicates that Congress intended such a departure" from "the long tradition of equity practice." 547 U.S. at 391-392.

Recently, in *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348 (2018), this Court again cautioned the Federal Circuit against creating exceptions to the plain text of the Patent Act. "We find that the plain text of § 318(a) [of the Patent Act] supplies a ready answer." *Id.* at 1354.

Likewise, the plain text of the Patent Act supplies a ready answer here. In its provisions on "Remedies for Infringement of Patent" in Part III, Chapter 29, the Patent Act follows the traditional American rule by expressly distinguishing legal from equitable remedies and making clear the patent owner's legal right to damages for infringement.

To start, § 281 commands that "[a] patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. § 281. Section 282 expressly sets forth the statutory defenses to patent infringement,

including "[n]oninfringement" and "unenforceability." 35 U.S.C. § 282(b)(1). In § 283, the Patent Act expressly provides that federal courts "may grant injunctions in accordance with the *principles of equity*." 35 U.S.C. § 283 (emphasis added). And in § 284, the Patent Act specifies the legal remedy for infringement: "in no event less than a reasonable royalty for the use made of the invention by the infringer." 35 U.S.C. § 284. The statutory language is clear that damages shall be awarded for infringement, and makes no reference to unclean hands as a defense that bars damages.

Respondent may point to post-enactment commentary by P.J. Federico (Federico commentary) of the U.S. Patent and Trademark Office in 1954 to argue that "unenforceability" in § 282 codified preexisting case law that supposedly applied equitable defenses to damages claims. P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1 (West 1954) (stating that defenses in § 282 would include "equitable defenses such as laches, estoppel and unclean hands"). The Federico commentary, however, was made two years after the Patent Act was enacted. It is well settled that "[p]ost-enactment legislative history (a contradiction in terms) is not a legitimate tool of statutory interpretation." *Bruesewitz v. Wyeth LLC*, 562 U.S. 223, 242 (2011).

Moreover, this Court rejected just such a proposition in *SCA Hygiene*. In *SCA Hygiene*, this Court disagreed with the Federal Circuit that, when Congress enacted the Patent Act in 1952, it codified preexisting case law that supposedly applied laches to damages claims. This Court "closely examined the cases on which the Federal Circuit rel[ied]" and

concluded "they are insufficient to support the suggested interpretation of the Patent Act." 137 S. Ct. at 963. This Court held that "[t]he most prominent feature of the relevant legal landscape at the time of enactment of the Patent Act was the well-established general rule, often repeated by this Court, that laches cannot be invoked to bar a claim for damages incurred within a limitations period specified by Congress." *Id.*

Even assuming arguendo that "unenforceability" includes unclean hands, nothing in the text or history of the Patent Act suggests Congress intended to expand unclean hands beyond its traditional equitable domain to extinguish legal rights. Where Congress intends to make such an exception to the traditional American rule, it does so expressly, as it did in the 1946 Lanham Act. *See* 15 U.S.C. § 1115(b)(9) (expressly providing for "equitable principles, including laches, estoppel, and acquiescence" as defenses to trademark infringement). When it enacted the 1952 Patent Act only a few years later, Congress did not include such an exception.

Not only is the Federal Circuit's special patent rule for unclean hands inconsistent with this Court's precedent, it is inconsistent with the plain text of the Patent Act. Review is warranted for this further reason.

V. THE FEDERAL CIRCUIT'S UNCLEAN HANDS EXCEPTION IS CONTRARY TO THE PURPOSE OF THE EQUITABLE DOCTRINE AND OTHER LEGAL RIGHTS

Review is also warranted because the Federal Circuit's special rule raises fundamental policy concerns.

First, the Federal Circuit's special rule runs headlong into the purpose of equitable doctrines: to specifically target the misconduct, and not punish. Importantly, "[t]he maxim that he who comes into equity must come with clean hands is *not applied by way of punishment*." *Johnson v. Yellow Cab Transit Co.*, 321 U.S. 383, 388 (1944) (emphasis added); *see also Keystone Driller*, 290 U.S. at 245 ("[A]pply the maxim, not by way of punishment."). "Remedies intended to punish culpable individuals … were issued by courts of law, not courts of equity." *Tull v. United States*, 481 U.S. 412, 422 (1987).

Instead of targeting the alleged misconduct, the Federal Circuit's special rule punished the patent owner by extinguishing its property rights in two separate patents for which the defendant admitted were infringed and the jury found valid. Pet. Br. 11, 13.

Further, the alleged misconduct here was primarily directed to only one of the two infringed patents. Pet. Br. 10, 14. Yet the Federal Circuit's expansive rule allowed unclean hands to go beyond the alleged misconduct related to that patent to extinguish property rights in the other, untainted patent. This disproportionate use of unclean hands clearly exceeded the bounds of equity into the realm of punishment. Even if this Court finds there is power in equity to "punish" and extinguish a right to monetary damages for conduct in connection with one patent, at a minimum, there is no right to level punitive sanctions against another patent untainted by unclean hands.

Second, the Federal Circuit's special rule is contrary to patents as property rights. There is no

question that patents are a property right. The Patent Act provides that "patents shall have the attributes of personal property." 35 U. S. C. § 261; *see also Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1375 (2018) ("[P]atents are 'entitled to protection as any other property, consisting of a franchise.'") (citation & emphasis omitted).

By allowing the trial court to use unclean hands to overturn the jury's verdict and $200 million damages award to compensate the patent owner for the defendant's admitted infringement, the Federal Circuit did far more than target the alleged misconduct. The Federal Circuit punished a patent owner whose patented invention was undisputedly copied by an infringer and upheld by the jury as valid.

Third, by allowing an *equitable* doctrine to defeat the jury's verdict on *legal* damages claims, the Federal Circuit's decision raises serious Seventh Amendment concerns. *See* Bray, *The System of Equitable Remedies*, 63 UCLA L. Rev. at 542-543 (explaining that "when a jury trial is requested, the Seventh Amendment of the U.S. Constitution effectively compels a classification of the relief sought. That amendment 'preserves' the right of trial by jury in 'Suits at common law.'"). This Court has recognized that the Seventh Amendment's "right to a jury trial of legal issues" should not be "lost through prior determination of equitable claims." *Beacon Theatres, Inc.* v. *Westover*, 359 U.S. 500, 511 (1959); *see also Ross v. Bernhard*, 396 U.S. 531, 537-538 (1970) (The Seventh Amendment's "right to jury trial on the legal claims . . . must not be infringed either by trying the legal issues as incidental to the equitable ones or by a court trial of a common issue.").

Thus, review is further warranted here because the Federal Circuit impermissibly allowed an equitable doctrine to be used as a punitive sanction against a patent owner by extinguishing its property rights in the asserted patents and its right to a jury trial.

CONCLUSION

The petition for writ of certiorari should be granted.

October 24, 2018

Respectfully submitted,

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