

No. 17-

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IN THE  
**Supreme Court of the United States**

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REGENERON PHARMACEUTICALS, INC.,  
*Petitioner,*

v.

MERUS N.V.,  
*Respondent.*

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

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**PETITION FOR A WRIT OF CERTIORARI**

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THOMAS P. SCHMIDT  
HOGAN LOVELLS US LLP  
875 Third Avenue  
New York, NY 10022

NEAL KUMAR KATYAL  
*Counsel of Record*  
SUNDEEP IYER  
HOGAN LOVELLS US LLP  
555 Thirteenth Street NW  
Washington, DC 20004  
(202) 637-5600  
neal.katyal@hoganlovells.com

*Counsel for Petitioner*

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### **QUESTION PRESENTED**

Whether a patent right can be fully extinguished based on misconduct committed by the patentee's counsel during federal district court litigation to enforce the patent right.

**PARTIES TO THE PROCEEDING**

Petitioner Regeneron Pharmaceuticals, Inc. was the plaintiff-appellant below.

Respondent Merus N.V. was the defendant-appellee below.

**RULE 29.6 DISCLOSURE STATEMENT**

Regeneron Pharmaceuticals, Inc. is a publicly traded corporation. Sanofi S.A., through Sanofi's directly and indirectly wholly owned subsidiaries, owns 10% or more of Regeneron's stock.

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**PETITION FOR A WRIT OF CERTIORARI**

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Regeneron Pharmaceuticals, Inc. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

**OPINIONS BELOW**

The Federal Circuit's published and divided opinion is reported at 864 F.3d 1343. Pet. App. 1a-66a. The Federal Circuit's order denying rehearing en banc, and the accompanying dissent from denial of rehearing en banc, is reported at 878 F.3d 1041. Pet. App. 195a-201a. The District Court's opinion is reported at 144 F. Supp. 3d 530. Pet. App. 67a-194a.

## JURISDICTION

The Federal Circuit entered judgment on July 27, 2017, and denied rehearing on December 26, 2017. Pet. App. 197a. On March 8, 2018, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including May 25, 2018. *See* No. 17A945. This Court’s jurisdiction is invoked under 28 U.S.C. § 1254(1).

## STATUTE INVOLVED

Section 282(b) of the Patent Act, 35 U.S.C. § 282(b), provides in pertinent part: “The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: (1) Noninfringement, absence of liability for infringement, or unenforceability.”

## INTRODUCTION

The inequitable conduct doctrine allows a court to make unenforceable—and effectively invalidate—a patent “obtained by fraud” practiced upon the Patent and Trademark Office (“Patent Office” or “PTO”). *See Hazel-Atlas Glass Co. v. Hartford Empire Co.*, 322 U.S. 238, 251 (1944). A finding of inequitable conduct is the strongest medicine in the cabinet of patent-law defenses. Inequitable conduct infecting a single patent claim renders the *entire* patent defunct, unlike typical invalidity defenses. *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1288 (Fed. Cir. 2011) (en banc). Even more, inequitable conduct touching a single patent can contaminate an entire family of patents, extinguishing in one fell swoop a significant portion of a company’s patent portfolio. *Id.* And a finding of inequitable conduct can spawn time-consuming satellite litigation involving attorney’s fees, malpractice, and even antitrust violations,

not to mention the disastrous reputational harms it imposes on the inventor and attorneys involved in the prosecution of the patent. *Id.* at 1288-89.

Given these severe consequences, the Federal Circuit has aptly called inequitable conduct “the ‘atomic bomb’ of patent law.” *Id.* at 1288 (quoting *Aventis Pharma S.A. v. Amphastar Pharm., Inc.*, 525 F.3d 1334, 1349 (Fed. Cir. 2008) (Rader, J., dissenting)). It is thus crucial that this potent doctrine be confined to the evil that gave rise to it: misconduct before the Patent Office in obtaining a patent. *Hazel-Atlas*, 322 U.S. at 250-251. In this case, however, a divided panel of the Federal Circuit dramatically expanded the inequitable conduct doctrine. Without ever finding that petitioner intended to deceive the Patent Office, the panel held petitioner’s patent unenforceable under the inequitable conduct doctrine based on purported misconduct by trial attorneys in *district court litigation*, years after the patent was granted.

That holding flies in the face of common sense and every pertinent legal authority. If an ordinary citizen brought a lawsuit to stop a neighbor from trespassing on her real property, no one would think that the citizen should lose her home as a sanction for her lawyer’s misdeeds in the case. Just so in the context of patent litigation. As both the panel dissent and the dissent from denial of rehearing en banc explained, the Federal Circuit’s decision in this case breaks sharply from the “long-standing” and “unambiguous” precedents of this Court and other courts. Pet. App. 47a (Newman, J., dissenting); *see id.* at 200a (Newman, J., dissenting from denial of rehearing en banc). In particular, the decision below is irreconcilable with this Court’s foundational cases on the inequitable conduct doctrine, which make clear

that the invalidation of a patent is not a proper response to even the most egregious litigation misconduct by a patentee's trial lawyer. See *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240 (1933); *Hazel-Atlas*, 322 U.S. 238; *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806 (1945). The decision is irreconcilable with the Federal Circuit's own cases, which make clear that litigation misconduct "does not infect, or even affect, the original grant of the property right." *Aptix Corp. v. Quickturn Design Sys., Inc.*, 269 F.3d 1369, 1375 (Fed. Cir. 2001). And the decision is irreconcilable with the decisions of other circuits, which make clear that the maximum sanction for litigation misconduct is dismissal of the suit. Moreover, if all of that were not enough, the decision below raises serious constitutional questions: It threatens to deprive patentees of their property rights without just compensation or procedural due process.

This Court's intervention is urgently needed in order to reset the Federal Circuit's course on this important question. By creating a pathway for proving inequitable conduct based on the litigation misconduct of the patentee's trial counsel, the Federal Circuit's decision marks a significant expansion of the inequitable conduct doctrine. The result will be an increase in the frequency of inequitable conduct allegations, which the Federal Circuit has already called "an absolute plague" on the patent system. *Therasense*, 649 F.3d at 1289 (quoting *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988)). And that expansion of the inequitable conduct doctrine will substantially burden just about every major player in the patent system—courts, patentees, prosecuting attorneys, and inventors.

Beyond that, the rationale of the Federal Circuit’s decision could be applied not just to inequitable conduct cases, but to cases involving *any* invalidity defense—obviousness, novelty, and so on. Under the logic of the Federal Circuit’s decision, district courts can now make a finding of patent invalidity based solely on the litigation misconduct of the patentee’s trial counsel, and without any direct showing that the criteria for establishing invalidity have been met. And because nearly every accused infringer raises an invalidity defense, the decision opens up the possibility that litigation misconduct could be used to invalidate patents in virtually any infringement case. That is why courts have consistently refused to permit such draconian sanctions in response to litigation misconduct.

In short, the Federal Circuit’s decision threatens to wreak havoc on the judicial system and the patent system. This Court should grant certiorari and reverse the decision below.

## STATEMENT

### A. Inequitable Conduct Doctrine

When the PTO considers whether to issue a patent, it must rely on the representations made by the patent applicant. And because a patent “by its very nature is affected with a public interest,” the PTO imposes upon the patent applicant “a duty of candor and good faith.” 37 C.F.R. § 1.56(a). That duty obligates the applicant “to disclose to the [PTO] all information known to [the applicant] to be material to patentability.” *Id.* If a patent applicant intentionally disregards that duty of candor in pursuing a successful application, the resulting patent can be



held unenforceable in later litigation under what is known as the “inequitable conduct” doctrine.<sup>1</sup>

This Court laid the foundations of the inequitable conduct doctrine in a trio of seminal cases decided during the 1930s and 1940s. *See Keystone*, 290 U.S. 240; *Hazel-Atlas*, 322 U.S. 238; *Precision Instrument*, 324 U.S. 806. Under the inequitable conduct doctrine, when a patentee brings a lawsuit alleging that a defendant has infringed a patent, the defendant may assert as a defense that the patentee obtained the patent through fraud before the Patent Office. As this Court explained in *Hazel-Atlas*, where a court concludes that the patentee’s patent was “obtained by fraud,” the court can decline to enforce the patent and can dismiss the patentee’s infringement lawsuit. 322 U.S. at 251. In 1952, Congress codified this inequitable conduct defense in the Patent Act. 35 U.S.C. § 282(b)(1); *see J.P. Stevens & Co. v. Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984).

Building on this Court’s trio of inequitable conduct cases and the Patent Act, the Federal Circuit today deems a patent unenforceable against the world when the patentee has misrepresented or omitted material information in its patent application, and has done so with the specific intent to deceive the Patent Office. *See, e.g., Therasense*, 649 F.3d at

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<sup>1</sup> Technically speaking, “inequitable conduct renders a patent *unenforceable* rather than *invalid*.” *Ulead Sys., Inc. v. Lex Comput. & Mgmt. Corp.*, 351 F.3d 1139, 1150 n.8 (Fed. Cir. 2003) (emphasis added). But the “practical effect is generally the same.” *Id.* This petition therefore uses the terms “unenforceable” and “invalid” interchangeably, as the Federal Circuit often does.

1287. In other words, when a court concludes that a patentee has committed inequitable conduct before the Patent Office, the patentee's patent is rendered invalid and can no longer be enforced against anyone. *Id.* at 1288. As noted above, inequitable conduct is an exceptionally potent remedy: Inequitable conduct related to a single claim can render an entire patent or family of patents unenforceable; inequitable conduct cannot, like other validity issues, be cured through reissue or reexamination; and a finding of inequitable conduct can spawn further satellite litigation and impose ruinous consequences for the reputations of inventors and prosecuting attorneys. *Id.* at 1288-89.

Given the potency of the inequitable conduct remedy, there are limits on how and when this remedy can be deployed. Most relevant here, while the Federal Circuit has indicated that a court may declare a patent unenforceable based on the fraudulent conduct of a patentee *in obtaining a patent from the Patent Office*, it has viewed the *litigation* misconduct of the patentee's trial counsel differently. In 2001, the Federal Circuit concluded that a patent cannot be invalidated based on the misconduct of the patentee's trial lawyer during an infringement lawsuit. *See Aptix*, 269 F.3d 1369. Based on the Supreme Court's inequitable conduct precedents, the Federal Circuit held that the proper sanction for litigation misconduct was dismissal of the suit, not outright invalidation of the patent. *Id.* at 1375. That continued to be the nationwide rule—until the Federal Circuit's decision in this case.

## **B. Factual and Procedural Background**

1. This case concerns a transformative discovery. In 2013, petitioner Regeneron Pharmaceuticals, Inc. obtained a patent, U.S. Patent No. 8,502,018 (the '018 patent), for a genetically modified mouse—known as a “reverse-chimeric” mouse—that produces part-mouse, part-human antibodies that can be used to treat human diseases. At the time of the invention, scientists were focused on developing methods to create mice that would generate *fully human* antibodies. Many scientists thought that mice with fully human antibodies would be the ideal tools to treat human diseases. But the scientists at Regeneron bucked this trend. They realized that the commercially available mice that produced fully human antibodies lacked the robust immune response and genetic diversity of wild mice. So Regeneron invented the reverse-chimeric mouse. That mouse proved to have a stronger immune system and produced more effective antibodies than genetically engineered mice with fully human antibodies.

2. In 2014, Regeneron sued respondent Merus N.V. in the Southern District of New York for infringing the '018 patent. Merus answered by asserting that the '018 patent was unenforceable. According to Merus, Regeneron had committed inequitable conduct before the Patent Office.

The District Court first issued an opinion construing various terms in the patent. Pet. App. 68a. Following the District Court's claim construction decision, Regeneron stipulated that its infringement claim against Merus could not succeed under the District Court's claim construction. *Id.*

The District Court then turned to Merus's counterclaim that Regeneron's patent was unenforceable because of inequitable conduct. The District Court first found that Regeneron had not provided the Patent Office with four scholarly articles that were material to whether the patent was novel. *Id.* at 136a-138a. The District Court recognized, however, that Regeneron's failure to provide those articles was not sufficient for a finding of inequitable conduct. *Id.* at 114a. The District Court explained that it could not conclude that Regeneron had committed inequitable conduct unless the court found that Regeneron had intended to deceive the Patent Office. *Id.*

But the District Court declined to conduct a trial or consider evidence regarding whether Regeneron had specific intent to deceive the Patent Office. *Id.* at 192a-193a & n.51. Instead, the District Court found inequitable conduct based on the perceived *litigation misconduct* of Regeneron's trial lawyers in the District Court. *Id.* at 193a-194a. According to the court, Regeneron had not produced certain documents during discovery: Regeneron purportedly had claimed that the attorney-client privilege applied to some non-privileged documents, and it had also partially waived the attorney-client privilege through its actions during litigation but had not produced documents to which the waiver of privilege applied. *Id.* at 190a. Based on this alleged discovery misconduct, the District Court decided to "impose the sanction of an adverse inference as to the intent" of Regeneron "with regard to inequitable conduct" before the Patent Office. *Id.* at 193a.

In other words, the District Court concluded that Regeneron had "acted with the specific intent to deceive the [P]atent [O]ffice" without relying on any

actual evidence of Regeneron's intent to deceive the Patent Office. *Id.* Using the shortcut of an "adverse inference," the District Court extinguished Regeneron's rights in the '018 patent based on the litigation misconduct of Regeneron's trial counsel.

3. On appeal, a divided panel of the Federal Circuit affirmed the District Court's inequitable conduct determination. The panel majority first held that the four scholarly articles that Regeneron had not provided to the Patent Office were material. Pet. App. 25a. The majority then held that, even though the District Court never held a trial or relied on any actual evidence regarding intent to deceive the Patent Office, *see id.*, the District Court properly found intent to deceive the Patent Office as a sanction for purported litigation misconduct by Regeneron's trial counsel, *id.* at 25a, 44a. According to the majority, the District Court "did not punish Regeneron's litigation misconduct by holding the patent unenforceable." *Id.* at 43a-44a. All it did was "dr[a]w an adverse inference to sanction this litigation misconduct." *Id.* at 43a.

Judge Newman dissented. She noted that Supreme Court precedent was "long-standing, unambiguous, and binding": Although "litigation misconduct can support the dismissal of the suit," "patent invalidity or unenforceability must be established on the law of validity or enforceability." *Id.* at 47a (Newman, J., dissenting) (citing *Keystone*, 290 U.S. 240). In other words: "Litigation misconduct, while serving as a basis to dismiss the wrongful litigant, does not infect, or even affect, the original grant of the property right." *Id.* at 48a (quoting *Aptix*, 269 F.3d at 1375). Judge Newman explained that by invalidating the patent based on an adverse infer-

ence from litigation misconduct, the majority had contravened “[a]n unbroken line of precedent” that “strictly limits the inequitable conduct inquiry to a patentee’s conduct before the [patent] examiner.” *Id.* at 50a. Moreover, she noted that by denying Regeneron a hearing on intent to deceive the Patent Office, the District Court had acted “contrary to fundamental fairness and judicial process.” *Id.* at 46a. Finally, Judge Newman explained that the four scholarly articles Regeneron had not produced to the Patent Office were not material in any event. *Id.* at 50a.

4. Regeneron then filed a petition for rehearing en banc, asking the en banc court to reconsider whether a court may eliminate a patent right in response to the patentee’s litigation misconduct. The petition was denied. Pet. App. 197a. Judge Newman dissented from the denial of rehearing, joined by Judge Reyna. *Id.* at 198a (Newman, J., dissenting from denial of rehearing en banc). Judge Newman emphasized again that the panel’s decision “departs from precedent concerning sanctions for litigation misconduct,” including both Supreme Court and Federal Circuit precedent. *Id.* at 200a. She also raised the possibility that the imposition of an adverse inference “violated the procedural due process protections of the Constitution.” *Id.* at 201a.

This petition followed.

#### **REASONS FOR GRANTING THE PETITION**

In this case, a divided panel of the Federal Circuit extinguished a patent right based on the litigation misconduct of the patentee’s trial counsel. That holding contravenes this Court’s precedents and cases from other courts of appeals. It raises serious constitutional concerns. And it splits the Federal

Circuit internally—a factor that counsels in favor of certiorari review in light of the Federal Circuit’s exclusive jurisdiction over patent matters. *See, e.g., Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 21 (1997) (granting review to resolve a “significant disagreement” within the Federal Circuit). Moreover, the erroneous decision below will have far-reaching consequences: It threatens to place enormous burdens on nearly every major player in the patent system, and its effects could be felt in nearly every patent infringement suit across the country. The Federal Circuit’s decision therefore warrants this Court’s immediate review.

### **I. THE DECISION BELOW CONFLICTS WITH THIS COURT’S PRECEDENTS.**

The decision below conflicts with this Court’s three foundational cases on the inequitable conduct doctrine: *Keystone*, *Hazel-Atlas*, and *Precision Instrument*. Those cases make clear that courts cannot invalidate a patent or render it unenforceable against the world based on *litigation* misconduct by the patentee’s counsel, rather than misconduct before the Patent Office. Here, however, the Federal Circuit—over a panel dissent and a dissent from the denial of rehearing en banc—held Regeneron’s patent unenforceable based on the litigation misconduct of Regeneron’s trial counsel. As Judge Newman explained in her panel dissent, that holding conflicts with “long-standing, unambiguous, and binding” Supreme Court precedent. Pet. App. 47a (Newman, J., dissenting). This Court’s review is warranted.

1a. In *Keystone*, this Court concluded that the proper sanction for egregious litigation misconduct by the patentee was dismissal of the patentee’s

lawsuit. In that case, the patentee knew of—but did not disclose to the Patent Office—a “possible prior use” of the patented invention by an earlier inventor. 290 U.S. at 243. After the Patent Office granted the patent, the patentee sought to enforce the patent in an infringement suit against a competitor. But the patentee recognized that the “prior use” of the patented invention by an earlier inventor might “cast doubt upon the validity of the patent.” *Id.* So the patentee’s counsel resorted to fraud during the litigation: He “suppress[ed] the evidence” by purchasing the silence of the earlier inventor. *Id.* Eventually, counsel’s suppression tactic came to light. When it did, the Court applied the maxim “[h]e who comes into equity must come with clean hands.” *Id.* at 241. The Court explained that the application of the maxim required a particular result in litigation misconduct cases: Egregious misconduct “require[d] dismissal of the *cause of action* there alleged for the infringement of the \* \* \* patent.” *Id.* at 246 (emphasis added). Because the patentee “did not come with clean hands in respect of any cause of action in these cases,” the Court dismissed the patentee’s infringement lawsuit. *Id.* at 247.

Critically, despite the patentee’s egregious misconduct, the *Keystone* Court indicated that the patent itself could not be extinguished based on litigation misconduct. As the Court explained, the “governing principle” is that when a party commits litigation misconduct while attempting to “obtain some remedy” before a court, “the court will refuse to interfere on his behalf, to acknowledge his right, or to award him any remedy.” *Id.* at 244-245. That articulation of the “governing principle” is telling: Although it establishes that the patentee who commits miscon-



duct during litigation is not entitled to “any remedy” for a violation of “his right” in that particular case, it also presupposes the continued existence of “his right.” *Id.* A court may “refuse \* \* \* to acknowledge his right” in that particular case, but the court may not extinguish the right altogether. *Id.*

Thus, even though the patentee in *Keystone* had sought to fraudulently suppress evidence that may have had some bearing on the validity of the patent, the patentee’s litigation misconduct was not a bar to enforcing the patent in a later case. Indeed, after the Court dismissed the patentee’s lawsuit, the patent at issue in *Keystone* came back before the Court in a subsequent case. There, the Court acknowledged the earlier case involving litigation misconduct. But it nowhere viewed the misconduct as a bar to later enforcement of the patent. *See Keystone Driller Co. v. Nw. Eng’g Corp.*, 294 U.S. 42, 44 n.2 (1935). *Keystone* therefore demonstrates that the proper remedy for even the most egregious litigation misconduct is dismissal of the infringement suit, not outright invalidation of the underlying patent.

b. If *Keystone* left any doubt on that point, *Hazel-Atlas* resolved it. In *Hazel-Atlas*, the patentee’s counsel authored an article that described the patentee’s invention “as a remarkable advance.” 322 U.S. at 240. The patentee’s counsel, however, had another well-known expert sign his name to the article and introduced the article as an expert testimonial in support of the pending patent application. After the Patent Office granted the patent, the patentee sued another company for infringement. *Id.* at 240-242. But the patentee feared that the fabricated article would come to light during litigation. So the patentee’s counsel engaged in a “delib-

erately planned and carefully executed scheme to defraud” the court by “suppressing the truth concerning the authorship of the article.” *Id.* at 245, 250. Once that misconduct came to light, the Court concluded that the appropriate sanction was to “dismiss[] the appeal.” *Id.* at 250. The Court explained that the litigation misconduct “calls for nothing less than a complete denial of relief to [the patentee] for the claimed infringement of the patent.” *Id.*

In so concluding, the Court in *Hazel-Atlas* distinguished between misconduct before the Patent Office and misconduct in litigation. The Court explained that, where a patent is “obtained by fraud,” it can be “vacated” in an appropriate proceeding. *Id.* at 251 (emphasis added). But with respect to the patentee’s “corrupt activities in suppressing the truth” during *litigation*, the Court said no such thing: It said only that the lower courts could “dismiss[] the appeal” and that the patentee could “be denied relief” in the infringement suit. *Id.* at 250-251. The Court therefore indicated that while a patent may be deemed unenforceable against the world if “obtained by fraud,” it may not be deemed unenforceable based on litigation misconduct alone. That is so even when the misconduct is extreme, and even when it papers over alleged misconduct before the Patent Office.

c. The final case in the inequitable conduct trilogy, *Precision Instrument*, reinforces that principle. There, the original applicant for a patent had committed perjury before the Patent Office. A competitor company was aware of the original applicant’s perjury, but declined to disclose it to the Patent Office. Instead, the competitor company signed a contract with the original applicant to obtain the rights to that patent. 324 U.S. at 808-814. Once the

Patent Office granted the patent, the company—now the patentee—sued a different inventor for infringement of the patent, all without ever revealing “to anyone else the facts it possessed concerning the application’s fraudulent ancestry.” *Id.* at 819. The Court concluded that the company’s conduct during litigation served “to compound and accentuate the effects” of the original applicant’s perjury. *Id.* That “inequitable conduct impregnated [the company’s] entire cause of action.” *Id.* The Court therefore ordered “dismissal by resort to the unclean hands doctrine.” *Id.* Although the Court noted the “public policy against the assertion and enforcement of patent claims *infected with fraud and perjury*,” *id.* (emphasis added), the Court in no way suggested that a patentee’s misconduct *during the litigation itself* would justify the invalidation of the patent.

Thus, this Court’s inequitable conduct cases demonstrate that the proper sanction for even the most egregious litigation misconduct is dismissal of the patentee’s infringement lawsuit, not invalidation of the patentee’s patent. A court may hold a patent unenforceable against the world in order “[t]o grant full protection to the public against a patent *obtained by fraud*” at the Patent Office. *Hazel-Atlas*, 322 U.S. at 251 (emphasis added). But when a lawyer commits misconduct in *litigation* rather than in proceedings before the Patent Office, the patentee should not forever forfeit the patent based on the lawyer’s sins.

2. The Federal Circuit’s divided decision is irreconcilable with *Keystone*, *Hazel-Atlas*, and *Precision Instrument*. Contrary to the teaching of these cases, the Federal Circuit concluded that Regeneron’s patent was unenforceable against the world based on the *litigation* misconduct of Regeneron’s counsel.

Pet. App. 43a-44a. The court did not point to any evidence that Regeneron intended to deceive the Patent Office. *See id.* at 25a. Instead, the court used the evidence of litigation misconduct by Regeneron’s trial counsel to hold that Regeneron had committed inequitable conduct that justified vacating its patent right. *Id.* at 43a-44a. The Federal Circuit’s new rule—that litigation misconduct by the patentee’s trial counsel can render the patent unenforceable—flies in the face of this Court’s direction that the proper sanction for even the most egregious litigation misconduct is “dismissal of the cause of action,” not outright invalidation of the patent. *Keystone*, 290 U.S. at 246; *see Hazel-Atlas*, 322 U.S. at 250-251; *Precision Instrument*, 324 U.S. at 819.

Indeed, that conflict is especially stark here because the purported litigation misconduct committed by Regeneron was far less severe than the misconduct this Court has confronted in other inequitable conduct cases. Here, Regeneron’s trial counsel allegedly failed to produce certain requested documents during discovery. According to the Federal Circuit, Regeneron’s trial counsel had taken actions during litigation that amounted to a constructive waiver of privilege, and the mistake made by Regeneron’s trial lawyers was that they continued to claim the privilege as to some documents for which the privilege had been waived. Pet. App. 33a-37a. At no point did the District Court or the Federal Circuit so much as hint that the conduct of Regeneron’s counsel was designed to intentionally defraud the court.

By contrast, this Court’s inequitable conduct cases have all involved fraudulent efforts to suppress evidence. In *Keystone*, the patentee’s counsel sought to fraudulently suppress evidence by purchasing the

silence of a competing inventor. 290 U.S. at 243. In *Hazel-Atlas*, the patentee’s counsel engaged in a “deliberately planned and carefully executed scheme to defraud” the court by “suppressing the truth” concerning fabricated evidence. 322 U.S. at 245. And in *Precision Instrument*, the patentee’s counsel sought to hide fraudulent conduct. 324 U.S. at 819. In all three cases, even in the face of such outrageous conduct, the Court made clear that the appropriate sanction was dismissal of the suit, not invalidation of the underlying patent. The Federal Circuit’s decision to invalidate Regeneron’s patent based on litigation misconduct that was far less egregious highlights the extent of the conflict between this Court’s precedents and the Federal Circuit’s decision.

3. The Federal Circuit’s decision is problematic for another reason: By invalidating patent rights based on litigation misconduct, the decision raises “grave and doubtful constitutional questions.” *Gonzalez v. United States*, 553 U.S. 242, 251 (2008) (quoting *Harris v. United States*, 536 U.S. 545, 555 (2002)).

The Federal Circuit’s decision threatens to effect an unconstitutional taking of patentees’ patent rights. This Court has long described patents as property that cannot be taken without just compensation. As this Court recently explained in *Horne v. Department of Agriculture*, 135 S. Ct. 2419 (2015), a patent “confers upon the patentee an exclusive property in the patented invention” that, much like “land which has been patented to a private purchaser,” cannot be extinguished by the government “without just compensation.” *Id.* at 2427 (quoting *James v. Campbell*, 104 U.S. 356, 358 (1882)). That principle forecloses courts, not just legislatures, from taking patentees’ established patent rights. See *Stop the Beach Re-*

*nourishment, Inc. v. Fla. Dep't of Envtl. Prot.*, 560 U.S. 702, 715 (2010) (plurality op.).

Under the rule established by the decision below, federal district courts throughout the country may now “declare[] that what was once an established right of private property no longer exists.” *Id.* Patents convey “a specific form of property right”—namely, “the right[] that the statute prescribes.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1375 (2018) (internal quotation marks omitted). Here, nothing in the Patent Act so much as hints that the “right that the statute prescribes” may be invalidated based on the litigation misconduct of the patentee’s trial counsel.<sup>2</sup> And, as Judge Newman explained in dissent, the Federal Circuit failed to cite even “a single case—at any level of the federal system”—that has interpreted the Patent Act in that way. Pet. App. 50a (Newman, J., dissenting). The panel’s decision to the contrary therefore circumscribes the patent rights that Congress conferred. And it threatens to render established patents unenforceable based on the litigation misconduct of trial counsel.

Separately, the Federal Circuit’s decision also threatens to undermine the Constitution’s procedur-

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<sup>2</sup> The Patent Act of 1952 provides that a court may recognize the “unenforceability” of a patent. 35 U.S.C. § 282(b)(1). But that language assuredly “brings the old soil with it.” *Hall v. Hall*, 138 S. Ct. 1118, 1128 (2018) (internal quotation marks omitted). As this Court’s pre-1952 cases on unenforceability make clear, while a patent may be deemed “unenforceab[le]” based on egregious misconduct before the Patent Office, it may not be deemed “unenforceab[le]” based on litigation misconduct by trial counsel. *See supra* pp. 12-16.

al due process guarantees. This Court has long held that procedural due process “imposes constraints on governmental decisions which deprive individuals of ‘liberty’ or ‘property’ interests within the meaning of the Due Process Clause of the Fifth or Fourteenth Amendment.” *Mathews v. Eldridge*, 424 U.S. 319, 332 (1976). Under the Clause, individuals may not be deprived of a protected property interest without a “meaningful opportunity” to test whether the deprivation is consistent with the statute authorizing it. *Id.* at 349; see *United States v. James Daniel Good Real Prop.*, 510 U.S. 43, 62 (1993).

The decision below risks depriving patentees of a “meaningful opportunity” to demonstrate that their patents should not be rendered unenforceable pursuant to the Patent Act. As noted, the Patent Act allows courts to render patents “unenforceab[le]” based on the patentee’s misconduct in obtaining the patent. 35 U.S.C. § 282(b)(1). Under the Federal Circuit’s decision, however, district courts can invalidate patents without a hearing or any opportunity for the patentee to present evidence regarding whether the patentee committed intentional misconduct before the Patent Office. That is precisely what happened here: The District Court declined to hold a hearing or consider evidence on whether Regeneron had specific intent to deceive the Patent Office. See Pet. App. 25a. The Federal Circuit’s decision therefore threatens to obliterate any “meaningful opportunity” for patentees to show that they did not commit intentional misconduct in obtaining their patents. See *id.* at 201a (Newman, J., dissenting from denial of rehearing en banc).

Thus, at a minimum, the decision below raises “serious constitutional questions.” *INS v. St. Cyr*,

533 U.S. 289, 314 (2001). That strongly counsels against the result the Federal Circuit reached in this case, and against the rule it will now apply as binding precedent in all subsequent patent cases.

4. Rather than addressing these conflicts head-on, the panel majority pretended that its decision did not implicate them. According to the panel majority, the District Court “did not punish Regeneron’s litigation misconduct by holding the patent unenforceable.” Pet. App. 43a-44a. Instead, as the majority saw it, the District Court punished Regeneron’s alleged litigation misconduct merely by drawing “an adverse inference.” *Id.* at 43a. The District Court’s “adverse inference” from Regeneron’s litigation misconduct, however, was that Regeneron had “specific intent to deceive the PTO.” *Id.* at 44a. In other words, the adverse inference meant that the District Court would infer that Regeneron intended to deceive *the Patent Office*—and would therefore deem the patent unenforceable—based on nothing more than the alleged misconduct of Regeneron’s lawyers *in court*. Endorsing this approach, the panel majority insisted that the District Court was not really “punish[ing] a party’s post-prosecution misconduct by declaring the patent unenforceable”; all it was doing was imposing an adverse inference as permitted by the Federal Rules of Civil Procedure. *Id.* at 43a-44a; *see, e.g.*, Fed. R. Civ. P. 37(b)(2)(A)(i).

That argument cannot withstand serious scrutiny. *First*, the Federal Circuit’s use of the “adverse inference” label cannot change the fact that Regeneron’s patent was invalidated because of the alleged litigation misconduct of Regeneron’s trial counsel. In finding inequitable conduct, the District Court and the Federal Circuit did not look at any evidence that



Regeneron had intended to deceive the Patent Office. Rather, the sole basis for the finding of intent to deceive the Patent Office was the alleged litigation misconduct. *See* Pet. App. 25a, 44a. Under the panel’s decision, district courts may now repackage litigation misconduct under the guise of an adverse inference of intent to deceive the Patent Office. In other words, district courts may now use the “adverse inference” label as an end-run around the rule that courts may not invalidate patents based on trial counsel’s litigation misconduct. This Court should put a stop to that circumvention. *Cf. Microsoft Corp. v. Baker*, 137 S. Ct. 1702, 1715 (2017).

*Second*, the doctrine of constitutional avoidance strongly counsels against permitting courts to use adverse inferences in order to render patent rights unenforceable. As already noted, invalidating a patent directly based on litigation misconduct by trial counsel threatens to effect a taking of pre-existing property rights without just compensation. It also threatens a deprivation of property without procedural due process—that is, without a meaningful opportunity for patentees to contest whether they have committed intentional misconduct in obtaining the patent at the Patent Office. *See supra* pp. 18-20. Those constitutional questions are implicated to the same extent when a court applies an adverse inference as when it directly invalidates a patent based on litigation misconduct: In both cases, the litigation misconduct is the core reason for the invalidation of the patent. *Cf. Nat’l Fed’n of Indep. Bus. v. Sebelius*, 567 U.S. 519, 564 (2012) (explaining that the “constitutional question” should not be “controlled” by the mere “choice of label”). Thus, “serious constitutional concerns” counsel against interpreting the Federal

Rules of Civil Procedure as allowing courts to invalidate property rights using adverse inferences. *Edward J. DeBartolo Corp. v. Fla. Gulf Coast Bldg. & Constr. Trades Council*, 485 U.S. 568, 577 (1988).

*Third*, the Federal Circuit’s rationale for an adverse inference is out of step with this Court’s inequitable conduct cases. The panel majority suggested that the District Court’s adverse inference of specific intent to deceive the Patent Office was permissible because “Regeneron’s litigation misconduct \* \* \* obfuscated its prosecution misconduct.” Pet. App. 43a. Even if that were right, it is of no moment. Although this Court has previously confronted litigation misconduct that “obfuscate[s]” the patentee’s conduct before the Patent Office, it has never concluded that such litigation misconduct should have any bearing on the validity of the patent. For example, in both *Keystone* and *Hazel-Atlas*, the patentee’s trial counsel sought during the course of litigation to suppress evidence of alleged wrongdoing before the Patent Office. *Keystone*, 290 U.S. at 243; *Hazel-Atlas*, 320 U.S. at 250. But the Court did not treat the trial lawyer’s misconduct as a basis for deeming the patent unenforceable, even though the lawyer’s naked attempt to suppress evidence was far more egregious than the misconduct at issue here.

This Court’s decisions therefore make clear that litigation misconduct should not affect the validity of the patent, even when that litigation misconduct “obfuscate[s]” conduct before the Patent Office. As this Court has explained in another context, no matter how “egregious” the misconduct, the courts may not impose sanctions that are contrary to law. *Law v. Siegel*, 134 S. Ct. 1188, 1197-98 (2014). Just so here. The adverse inference affirmed by the

Federal Circuit contravenes this Court's precedents and therefore cannot support the decision below.

## **II. THE DECISION BELOW CREATES BOTH AN INTRA-CIRCUIT AND INTER-CIRCUIT SPLIT.**

In this case, the Federal Circuit deviated from its own patent law precedents and departed from the consensus view of its sister circuits. Those factors reinforce the need for this Court's review.

1. The decision below creates a divide within the Federal Circuit itself. Prior to this case, it was settled law in the Federal Circuit that "[l]itigation misconduct, while serving as a basis to dismiss the wrongful litigant, does not infect, or even affect, the original grant of the property right." *Aptix Corp. v. Quickturn Design Sys., Inc.*, 269 F.3d 1369, 1375 (Fed. Cir. 2001). As the Federal Circuit explained in *Aptix*, the Supreme Court's precedents make clear that courts cannot "reach out to extinguish a property right based on misconduct during litigation to enforce the right." *Id.* Thus, in *Aptix*, the Federal Circuit reversed a district court's decision that a patent was unenforceable based on the trial lawyer's misconduct during litigation. *Id.* at 1371. In this case, both the panel dissent and the dissent from the denial of rehearing en banc recognized that the decision below conflicts with *Aptix*: As Judge Newman explained, the panel majority "ignored" the "controlling precedent of *Aptix v. Quickturn*," Pet. App. 65a (Newman, J., dissenting), and thereby "depart[ed]" from binding "precedent concerning sanctions for litigation misconduct," *id.* at 200a

(Newman, J., dissenting from denial of rehearing en banc). But the Federal Circuit declined to act.<sup>3</sup>

The Federal Circuit's departure from its own precedent, and the internal divisions within the circuit, strongly counsel in favor of certiorari. See Stephen M. Shapiro et al., *Supreme Court Practice* § 4.21, at 289 (10th ed. 2013) (the "likelihood of Supreme Court review increases" when the Federal Circuit "departs from its own patent law precedents"); see also *Warner-Jenkinson*, 520 U.S. at 21. Because the Federal Circuit has exclusive jurisdiction over patent law, this intra-circuit conflict will not percolate. No other circuit will be able to chime in. Only this Court can resolve the conflict.

2. The decision below also departs from the consensus in every other federal court of appeals in non-patent contexts: Dismissal of the case is the most severe sanction the district court can impose in response to litigation misconduct. Indeed, every other circuit has referred to dismissal as the "harsh-est" sanction, the "ultimate" sanction, or the sanction of "last resort." See, e.g., *Hull v. Municipality of San Juan*, 356 F.3d 98, 103 (1st Cir. 2004); *Cine Forty-Second St. Theatre Corp. v. Allied Artists Pictures Corp.*, 602 F.2d 1062, 1066 (2d Cir. 1979); *Carter v. Albert Einstein Med. Ctr.*, 804 F.2d 805, 807 (3d Cir.

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<sup>3</sup> The panel majority asserted that "*Aptix* is inapposite" because the District Court here merely "drew an adverse inference to sanction \* \* \* litigation misconduct," rather than "punish[ing] Regeneron's litigation misconduct by holding the patent unenforceable." Pet. App. 43a-44a. For reasons explained earlier, the panel majority's half-hearted attempt to wave away this conflict is unavailing. See *supra* pp. 21-23.

1986); *Doyle v. Murray*, 938 F.2d 33, 34 (4th Cir. 1991); *Batson v. Neal Spelce Assocs., Inc.*, 765 F.2d 511, 515 (5th Cir. 1985); *Beil v. Lakewood Eng'g & Mfg. Co.*, 15 F.3d 546, 552 (6th Cir. 1994); *Rice v. City of Chicago*, 333 F.3d 780, 785-786 (7th Cir. 2003); *Bergstrom v. Frascone*, 744 F.3d 571, 575 (8th Cir. 2014); *Payne v. Exxon Corp.*, 121 F.3d 503, 508 (9th Cir. 1997); *Ehrenhaus v. Reynolds*, 965 F.2d 916, 920 (10th Cir. 1992); *In re Sunshine Jr. Stores, Inc.*, 456 F.3d 1291, 1305-06 (11th Cir. 2006); *Shepherd v. Am. Broad. Co.*, 62 F.3d 1469, 1472, 1478 (D.C. Cir. 1995). Here, notwithstanding the “adverse inference” label used by the District Court, the sanction affirmed by the Federal Circuit in reality went far beyond dismissal of the patentee’s lawsuit: It resulted in the invalidation of the patentee’s pre-existing patent right. That sanction dwarfs dismissal in scope and magnitude.

Moreover, in the analogous contexts of trademark and copyright litigation, the practice of the federal courts of appeals is not to sanction litigation misconduct by invalidating the underlying intellectual property right. Rather, the federal courts have consistently held that the cancellation of trademarks or the invalidation of copyrights is appropriate only when the right-holder has committed misconduct in *obtaining the underlying right itself*.<sup>4</sup> And when

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<sup>4</sup> See, e.g., *Whimsicality, Inc. v. Rubie’s Costume Co.*, 891 F.2d 452, 456 (2d Cir. 1989) (“[T]he knowing failure to advise *the Copyright Office* of facts which might have occasioned a rejection of the application constitutes reason for holding the registration invalid.”) (emphasis added and alterations and internal quotation marks omitted); *Money Store v. Harriscorp Fin., Inc.*, 689 F.2d 666, 670 (7th Cir. 1982) (“Fraud will be

confronted with litigation misconduct by the right-holder's trial counsel, the courts have determined that the appropriate sanction is dismissal of the case and an award of attorney's fees.<sup>5</sup> The Federal Circuit's decision in this case thus conflicts with the circuits' longstanding approach to litigation misconduct in intellectual property cases.

3. Finally, notwithstanding the Federal Circuit's current exclusive jurisdiction over patent cases, the decision below departs from how other circuits previously applied the inequitable conduct doctrine. Prior to the creation of the Federal Circuit in 1982, a number of circuits considered inequitable conduct cases. No court suggested that a patent could be invalidated based on misconduct that occurred after the acquisition of the patent.

For example, as the Ninth Circuit explained in evaluating inequitable conduct allegations in a

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deemed to exist only when there is a deliberate attempt to mislead *the Patent Office* into registering the mark.”) (emphasis added); *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 877-878 (8th Cir. 1994) (“[T]he party seeking to invalidate a mark must show that the applicant intended to mislead *the PTO*.”) (emphasis added); *Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes and of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem*, 702 F.3d 1279, 1289 (11th Cir. 2012) (“Fraud further requires a purpose or intent to deceive *the PTO* in the application for the mark.”) (emphasis added).

<sup>5</sup> See, e.g., *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 222 (2d Cir. 2003); *Securacomm Consulting, Inc. v. Securacom Inc.*, 224 F.3d 273, 282 (3d Cir. 2000); *TE-TA-MA Truth Found.-Family of URI, Inc. v. World Church of the Creator*, 392 F.3d 248, 263 (7th Cir. 2004).

patent infringement suit, “[w]hat is material is not that the plaintiff’s hands are dirty, but that he dirtied them in *acquiring* the right he now asserts.” *Republic Molding Corp. v. B.W. Photo Utils.*, 319 F.2d 347, 349 (9th Cir. 1963) (emphasis added). The Ninth Circuit therefore concluded that later-occurring misconduct by the patentee, while properly a basis for dismissal of the case, does not forever tarnish the patent right. *See id.* at 350. Other cases in the courts of appeals echo that conclusion. *See, e.g., Kearney & Trecker Corp. v. Cincinnati Milacron Inc.*, 562 F.2d 365, 371 (6th Cir. 1977) (“Ordinarily where a validly acquired patent has been misused the right to enforce it may be denied temporarily and then reinstated when the patent owner can show that it has discontinued its illegal practices.”); *In re Coordinated Pretrial Proceedings in Antibiotic Antitrust Actions*, 538 F.2d 180, 196 (8th Cir. 1976) (“An infringement defendant in complex litigation should not be permitted to \* \* \* nit-pick[] the patent file in every minute respect with the effect of trying the patentee personally, rather than the patent.”).

As Judge Newman explained in her panel dissent, the panel majority did not “cite a single case—at any level of the federal system—in which litigation misconduct was part of a finding of inequitable conduct.” Pet. App. 50a (Newman, J., dissenting). That was no accident. The panel majority’s decision plainly contravenes the received wisdom of the other federal courts that have confronted this issue.

**III. THE QUESTION PRESENTED IS  
IMPORTANT AND WARRANTS THIS  
COURT'S IMMEDIATE REVIEW.**

Finally, certiorari should be granted because of the importance of the question presented. In giving the green light to inequitable conduct claims grounded in the litigation misconduct of trial counsel, the decision below will substantially burden the courts, patentees, prosecuting attorneys, and inventors. Because the decision below will have immediate and far-reaching consequences for the conduct and operation of patent litigation nationwide, this Court's intervention is urgently needed.

1. As an initial matter, the question presented has an enormous impact on the day-to-day operation of patent litigation and the patent system as a whole. And the decision below will wreak havoc on the operation of the patent system by significantly increasing the frequency of inequitable conduct claims in infringement litigation. Only this Court can provide the necessary course correction.

a. As noted above, "inequitable conduct is the atomic bomb of patent law." *Therasense*, 649 F.3d at 1288 (internal quotation marks omitted); *see supra* pp. 2-3. Because of the severe consequences of a finding of inequitable conduct, inequitable conduct allegations are a common tactic for litigants facing a patent infringement lawsuit. *Id.* "Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds, to represent their [clients'] interests adequately." *Burlington Indus.*, 849 F.2d at 1422. As a result, studies suggest that anywhere from 10 to 40 percent of infringement suits involve inequitable conduct



allegations. *See, e.g.*, Robert D. Swanson, Comment, *The Exergen and Therasense Effects*, 66 Stan. L. Rev. 695, 714-716 (2014); Christian E. Mammen, *Controlling the “Plague”: Reforming the Doctrine of Inequitable Conduct*, 24 Berkeley Tech. L.J. 1329, 1358 (2009). Given the frequency of inequitable conduct allegations, even the Federal Circuit has called such allegations “an absolute plague” on the patent system. *Therasense*, 649 F.3d at 1289 (quoting *Burlington Indus.*, 849 F.2d at 1422).

b. The Federal Circuit’s decision in this case marks a significant expansion of the inequitable conduct doctrine. Based on the decision below, courts may now find inequitable conduct based on the litigation misconduct of the patentee’s trial counsel. That opens up a whole new avenue for accused infringers to establish inequitable conduct. The likely result is an increase in the frequency with which accused infringers allege that patentees’ trial lawyers have committed litigation misconduct.

That, in turn, spells serious trouble for courts and for the patent system as a whole. Because of the Federal Circuit’s decision, inequitable conduct allegations will “clutter[] up the patent system” even further. *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1454 (Fed. Cir. 1984). Courts will be forced to spend valuable resources adjudicating what will often prove to be a frivolous sideshow that “deflects attention from the merits of validity and infringement issues.” *Therasense*, 649 F.3d at 1288. Indeed, in adjudicating whether lawyers have committed litigation misconduct, the courts will be compelled to address issues that have nothing to do with whether the underlying patent was obtained through misconduct at the Patent Office. The Fed-

eral Circuit’s decision thus will take courts further afield of the core infringement and validity issues in patent lawsuits. That will only “increase the complexity, duration[,] and cost of patent infringement litigation.” *Id.* at 1288 (alteration omitted).

Moreover, with an easier path available to establish inequitable conduct, accused infringers may be less inclined to settle infringement suits against them. *Id.* at 1290; *cf. id.* at 1288 (“Because the doctrine focuses on the moral turpitude of the patentee with ruinous consequences for the reputation of his patent attorney, it discourages settlement.”). And because courts may now sanction litigation misconduct by invalidating patents, lawyers may decide to “disclose too much” information during discovery, “all out of fear that to do otherwise risks a claim of inequitable conduct.” *Id.* at 1289 (quoting ABA Section of Intellectual Property Law, *A Section White Paper: Agenda for 21st Century Patent Reform 2* (2009)). In short, with the threat of inequitable conduct looming over the discovery and privilege disputes that are already prevalent in patent cases (like this one) involving complex technologies, the decision below will only amplify the burdens on courts and litigants in the “costly process” of patent litigation. *See, e.g., Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 334 (1971).

2. In addition to its systemic importance to patent litigation and the patent system as a whole, the question presented is of extremely high importance to patentees, prosecuting attorneys, and inventors.

As to patentees: If the decision below stands, courts can render patents unenforceable against the world without any finding that the patentee intended

to deceive the Patent Office. The decision therefore exposes patentees to the risk that they will be deprived of their patent rights based on alleged misconduct that had nothing to do with the initial acquisition of their patents. Thus, with one false start by the patentee's lawyer in court, the patentee could lose not only its infringement suit, but also the very patent it had sued to protect. And the consequences could extend beyond that single patent, too: Inequitable conduct findings often "render unenforceable other related patents and applications in the same technology family." *Therasense*, 649 F.3d at 1288.

All of this is a marked assault on the constitutional rights of patentees, depriving them of their property interests without just compensation or procedural due process. *See supra* pp. 18-20. It is also a threat to the vitality of the attorney-client privilege in patent cases: Because the erroneous assertion of privilege could wipe away a patent, patentees may become less likely to claim the privilege. Moreover, to add insult to injury, all of this is likely to be costly to patentees. In each infringement suit, patentees must now be prepared to engage in second-order litigation over the propriety of trial counsel's conduct during the litigation. The end result is that patentees may be deterred from enforcing their patents against infringers, undermining the value of obtaining a patent on an invention in the first place.

As to the attorneys who prosecute patents before the Patent Office: If the decision below stands, it may inflict "ruinous consequences for the reputation" of these lawyers. *Therasense*, 649 F.3d at 1288. When a court finds inequitable conduct, prosecuting attorneys face severe collateral consequences. These include malpractice suits, disqualification from

practice before the patent bar, discipline by the state bar, and serious reputational harm. Indeed, most prosecuting attorneys involved in cases of inequitable conduct leave the profession altogether. Edwin S. Flores & Sanford E. Warren, Jr., *Inequitable Conduct, Fraud, and Your License to Practice Before the United States Patent and Trademark Office*, 8 Tex. Intell. Prop. L.J. 299, 322 (2000). Under the decision below, prosecuting attorneys may be unfairly subject to harsh collateral consequences based on the unrelated misconduct of a trial lawyer over whom they exercise no control. And with their reputations on the line, these prosecuting attorneys may feel compelled to bring satellite malpractice litigation against the patentee's trial lawyer. That will further increase the burdens on courts, patentees' litigation counsel, and prosecuting attorneys alike.

As to inventors: If the decision below stands, it could inflict particularly significant damage on small-scale entrepreneurs. In biotechnology applications, for example, small companies are responsible for much of the innovation in the field. A small company often pioneers a new invention and obtains a patent. It then sells or licenses the patent to a larger company in exchange for a royalty. See Jonathan M. Barnett, *Cultivating the Genetic Commons: Imperfect Patent Protection and the Network Model of Innovation*, 37 San Diego L. Rev. 987, 1016-17 (2000). If a court were to find inequitable conduct based on the litigation misconduct of the larger company's lawyers, that inequitable conduct finding would boomerang back on the small company. Not only would the inequitable conduct finding eliminate the patent and the accompanying royalties, but it would also risk torpedoing the company's reputation

in the industry. *See, e.g.*, Melissa Feeney Wasserman, *Limiting the Inequitable Conduct Defense*, 13 Va. J.L. & Tech. 7 (2008). Although the inequitable conduct finding would have had nothing to do with the conduct of the company itself, it could nonetheless pose an existential threat to the company. For that reason alone, the decision below may discourage small-scale inventors from partnering with larger companies who can bring their inventions to market. It may even discourage them from entering into business in the first place.

3. Finally, and perhaps most troubling, the logic of the Federal Circuit's decision is not limited just to cases involving inequitable conduct allegations. The panel's decision provides a blueprint for federal district courts to use litigation misconduct as a basis for invalidating patents on other grounds, too. Under the logic of the panel majority's decision, courts may be permitted to draw an adverse inference from the patentee's litigation misconduct in order to find that, say, the patent should be invalid because it is not novel, 35 U.S.C. § 102, or because it is obvious, *id.* § 103. For example, if a patentee's trial counsel commits litigation misconduct during proceedings to adjudicate a patent invalidity defense of obviousness, the logic of the Federal Circuit's decision would permit the district courts to use litigation misconduct as a basis for invalidating the patent on obviousness grounds—all without any finding that the requirements for proving obviousness under the Patent Act had actually been met. As a consequence, courts may be able to invalidate a patent based on litigation misconduct in cases where the accused infringer raises *any* patent invalidity

defense, not just in cases where the accused infringer asserts inequitable conduct.

That result would have dramatic consequences for the conduct of patent litigation and for the patent system as a whole. “Virtually every patent infringement lawsuit includes a claim that the patent is either invalid or unenforceable.” Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1502 (2001). Thus, in *virtually every* patent infringement suit, the patentee’s litigation misconduct could be used to obtain a finding of invalidity. As a result, the number of litigation misconduct allegations could skyrocket as accused infringers aggressively seek to establish the invalidity of patents. That would impose heavy burdens on courts, which may be forced to adjudicate those satellite misconduct allegations in nearly every infringement lawsuit, and on patentees, who would have to defend against those allegations. In short, the potentially staggering reach of the decision below underscores the importance of the question presented and the need for certiorari review.

**CONCLUSION**

The petition for a writ of certiorari should be granted.

Respectfully submitted,

THOMAS P. SCHMIDT  
HOGAN LOVELLS US LLP  
875 Third Avenue  
New York, NY 10022

NEAL KUMAR KATYAL  
*Counsel of Record*  
SUNDEEP IYER  
HOGAN LOVELLS US LLP  
555 Thirteenth Street NW  
Washington, DC 20004  
(202) 637-5600  
neal.katyal@hoganlovells.com

*Counsel for Petitioner*

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