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 A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED

The Patent Act provides that "unenforceability" "shall be" one of the "defenses in *any action* involving the validity or infringement of a patent." 35 U.S.C. § 282(b)(1) (emphasis added). The defense of unclean hands is a classic basis for finding a patent unenforceable. The question presented is whether the Patent Act's reference to "any action" includes actions for damages or silently limits the defense to only actions for equitable relief.

CORPORATE DISCLOSURE STATEMENT

Gilead Sciences, Inc. has no parent corporation and no publicly held company owns 10% or more of its stock.

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INTRODUCTION

Merck does not now dispute that it engaged in "deceptive dealing" when it tricked a competitor into revealing its invention and amended its patents based on what it learned, or that it tried to cover up that serious misbehavior with "troubling" litigation misconduct, Pet. App. 94a n.3, including presenting "intentionally false" testimony, *id.* at 28a. It does not dispute that its behavior was "unconscionable" and "outrageous." *Id.* at 93a, 102a, 104a. It does not dispute that the courts below were correct in concluding that this egregious misconduct amounted to unclean hands that made its patents "unenforceabl[e]" against Gilead within the meaning of the Patent Act. 35 U.S.C. § 282(b)(1). Yet Merck seeks to revive a $200-million verdict based on those unenforceable patents.

Merck asks this Court to grant certiorari and decide that when the Patent Act says that "unenforceability" "shall be" one of the "defenses in any action involving the validity or infringement of a patent," 35 U.S.C. § 282(b)(1), it means the defense is available in "any case seeking equitable relief, but not a case seeking damages." Merck wants this Court to decide that "unenforceabl[e]" means "enforceable through damages, but unenforceable by injunction." This Court should deny certiorari for three reasons.

First, Merck never made that argument of statutory construction to the Federal Circuit—which is why the opinion does not address it. In fact, the Federal Circuit has never addressed this argument in any decision. The only times the Federal Circuit has ever applied unclean hands to damages claims has been in

cases where, as here, both sides assumed that it was permissible. Merck offers no reason to depart from this Court's sensible rule that certiorari should be reserved for issues that have received adequate appellate ventilation.

Second, even extending the question presented beyond the realm of patent law, as Merck tries to do, there is no circuit conflict on the broader question whether federal common law allows courts to apply the unclean-hands defense to legal remedies. Merck concedes that three circuits allow such an application. On the other side of the ledger, though, Merck presents only dicta.

Third, Merck is wrong on the merits. Merck does not even suggest how the Patent Act's expansive text can be read to limit "any case" only to cases in equity or to limit "unenforceability" to enforcement only through equitable remedies. Instead, Merck posits that this Court has always drawn a line strictly prohibiting the application of equitable defenses to legal relief. To the contrary, this Court has applied unclean hands—and its closest analogs—to override damages claims, including in a patent case just a few years before the Patent Act's passage.

Unclean hands addresses only the most egregious of abuses—a standard so demanding that it is almost never satisfied. The defense deters misconduct in a most measured way—not by invalidating the patent, but merely by preventing the patentee from enforcing the patent against the victim of its abuse. A patentee contemplating such egregious misconduct would not be deterred if the misconduct were still rewarded with

billions of dollars in damages, as Merck sought here. Merck suggests no reason why the same Congress that wanted to deter egregious misconduct by precluding equitable relief—which is often not available, and was never realistically available here—would have wanted to reward it with damages.

STATEMENT

Pharmasset Discovers A Groundbreaking Treatment And Explores A Collaboration With Merck

Hepatitis C virus (HCV) afflicts over 170 million people, causing liver damage that can lead to liver failure and death. *See* Pet. App. 38a-39a. For years, the best treatment was unreliable and had severe side effects. *Id.* at 39a; A19,900-01.[1] These deficiencies led numerous companies to search for a better drug. Of particular interest were drugs that would treat HCV by inhibiting an enzyme called NS5B polymerase. Pet. App. 4a, 39a-40a.

Gilead's predecessor, Pharmasset, won the race for a cure. In 2002, Pharmasset discovered a novel compound that it called PSI-6130. Pet. App. 8a-9a, 44a. It showed significant efficacy in treating HCV by inhibiting NS5B. A20,041-42. After years of fine-tuning, Pharmasset invented sofosbuvir, a related NS5B inhibitor that was far more effective and safer than any prior treatment. A19,913-17.

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[1] Cites beginning with "A" are to the Joint Appendix in the court of appeals.

Soon after discovering PSI-6130, Pharmasset discussed collaborating with Merck to develop the drug. During negotiations, Merck requested PSI-6130's chemical formula. Pet. App. 45a-46a. Pharmasset worried that Merck would coopt that information in its competing efforts to find an HCV cure. *See id.*; A32,410 (166:19-168:7). To allay those concerns, Merck proposed and agreed to a strict firewall, so that no Merck employee working on its own HCV program would learn the structure of Pharmasset's breakthrough drug. Pet. App. 17a-18a, 43a-47a.

Merck Intentionally Violates The Firewall

Merck promptly and intentionally breached its firewall, then concealed its violation. Pet. App. 16a-18a. The critical point at which Pharmasset disclosed PSI-6130's complete structure was a phone call in March 2004. *Id.* at 18a. Merck instructed Dr. Philippe Durette to join the call. Durette, a former chemist, was Merck's in-house lawyer responsible for prosecuting Merck's patents on NS5B inhibitors—exactly the sort of person that the firewall was intended to exclude. *Id.* at 4a, 49a-50a.

Pharmasset began the call by emphasizing the firewall's importance. It asked Durette point blank whether he was within the firewall. He declared that he was. Pet. App. 18a-19a, 51a-52a. With that understanding, Pharmasset disclosed the formula for PSI-6130. *Id.* The district court found that Durette's assurance was false, and that he knew it. *Id.* at 52a. After the call, Durette proceeded to amend the two patents at issue in this case, Patent No. 7,105,499 ('499 patent) and Patent No. 8,841,712 ('712 patent).

With Durette's amendment, the '499 patent zeroed in on the species of compound he knew Pharmasset had discovered, as did the '712 patent eventually.

Merck Litigates Against Gilead And Adduces False Testimony To Hide Its Misconduct

Gilead acquired Pharmasset and successfully developed sofosbuvir to earn FDA approval for the first and only nucleoside drug that inhibits NS5B. When Merck's own NS5B drug candidates failed, Merck threatened Gilead with the '499 and '712 patents. *See* A300. Gilead responded by seeking a declaratory judgment that the patents were invalid, and Merck countered with claims of patent infringement. Pet. App. 2a; *see* A136-48. It was only through discovery that Gilead started to ferret out Durette's duplicity. Merck responded with a cover-up.

1. Merck began by designating Durette as its Rule 30(b)(6) representative on the '499 patent prosecution and why he so drastically narrowed the claims. Pet. App. 23a-24a. As the district court held, and the Federal Circuit affirmed, this testimony was central to Gilead's invalidity defenses, which alleged that Merck did not invent or possess the claimed sub-genuses at the relevant time. *Id.* at 28a-29a. After two full days of preparation with Merck's lawyers, A22,017-18, Durette, in sworn testimony, adamantly denied that he had learned PSI-6130's structure through confidential discussions with Pharmasset:

> Q. In March of 2004 were you involved in any discussion with Pharmasset whereby you were told what the structure was for their 6130 compound?
>
> A. *No.*
>
> Q. You're sure of that?
>
> A. *Yes.*
>
> Q. How are you so sure 11 years later that you were never told what the structure was for the 6130 compound?
>
> A. The structure was not revealed to me by individuals at Merck or otherwise. *I'm positive* of that. I *never saw* a structure of the Pharmasset compounds until it published later on in time.

A32,348 (emphasis added); *see* A19,938; Pet. App. 24a-25a.

Durette persisted in that denial despite being shown emails indicating that he had joined the firewalled conference call in March 2004: "*I never participated in a due diligence meeting on March 17* because the due diligence component of this potential deal was assigned to another attorney." A32,348 (emphasis added); *see also* A23,706. He persisted even after seeing a second email, written after the call, which requested destruction of any of his "notes from a March 17, 2004 telephone conference regarding PSI-6130 patent due diligence." A22,034, 22,291. Durette stressed

that participating in the call "would have tainted my judgment as to what claims to pursue." A32,349.

Notably, Durette also denied that his decision to amend the claims had anything to do with PSI-6130. Specifically, Pharmasset had filed a patent application (the "Clark application") covering its compound, but Durette was sure that his decision to amend Merck's claims had nothing to do with it. Pet. App. 64a-65a; *see id.* at 25a.

2. Three weeks later, the truth came out. Merck deposed a Pharmasset representative who testified about his contemporaneous notes from the call. A31,544-45. These notes showed that Durette learned PSI-6130's structure, asked numerous questions about it, and assured Pharmasset that he was within the firewall. *Id.*; *see* A19,958-60. At least by then, Merck's lawyers knew that Durette's deposition testimony was false. Yet Merck never attempted to correct his testimony.

Far from correcting the falsehood, Merck made it worse. Merck announced, for the first time in its opening statement, that it did not "dispute" what Durette had emphatically denied—that "Durette was on a phone call with Pharmasset in which the structure of 6130 was described." A19,895; *see* Pet. App. 25a. Durette then took the stand and told a new story that the district court found "evasive" and "not credible." Pet. App. 66a. He now admitted he was on the call, claiming that certain documents had refreshed his recollection. A19,937 (344:1-7), 19,948 (386:6-15). But those documents were the same emails that failed to shake the truth out of him in deposition. Pet. App. 59a-62a.

Then he testified that his presence on the call was an honest mistake because he had no idea that PSI-6130 would be related to his patent prosecution. *Id.* at 62a-63a. The district court found this testimony "not credible" in light of the contemporaneous Merck documents demonstrating that Merck, and Durette, knew PSI-6130 was an NS5B inhibitor related to Durette's HCV patent docket. *Id.* at 62a-64a.

Merck's lawyers and Durette also invented a new, entirely unsupported explanation of why Durette had amended the '499 patent. Durette acknowledged—contrary to his deposition testimony—that Pharmasset's Clark application *had* played a role. But he insisted its publication merely "led me to reexamine my docket." A19,949 (390:20-391:9). Durette then asserted that upon reexamining the '499 claims, he was moved to narrow their scope not to capture PSI-6130, but rather "to get an allowance on the subject matter that was most important" to Merck in its own research program. A19,952 (404:14-19); *see* Pet. App. 65a-68a. The district court found this explanation for the narrowing "false" because the amended claims excluded every compound that Merck had thus far tested, including Merck's own clinical candidate at the time, and because Merck had not yet made a compound like Pharmasset's sofosbuvir. Pet. App. 66a-68a.

The District Court And Federal Circuit Find Unclean Hands

By agreement of the parties, the trial proceeded in two phases. Pre-Trial Conference Tr., *Gilead Scis., Inc. v. Merck & Co., Inc.*, No. 5:13-cv-04057-BLF (N.D.

Cal. Mar. 3, 2016), ECF No. 280 at 17-18. In phase one, a jury found in Merck's favor on validity and awarded $200 million in damages, a tenth of what Merck sought. A21,095; *see* A21,360 (2365:7-10). In phase two, the court tried Gilead's defense that Merck's patents—and thus its verdict—were unenforceable against Gilead because Merck's misconduct constituted unclean hands. Pet. App. 32a-33a.

As explained below (Part I.A), Merck never disputed that the unclean-hands defense would block Merck from enforcing its patents against Gilead in any way—including by seeking damages. It argued only that its conduct did not amount to unclean hands. The district court rejected those arguments, finding that Merck and Durette had engaged in "unconscionable," "outrageous," and "troubling" misconduct and "deceptive dealing," including "false testimony," that constituted unclean hands and rendered Merck's patents unenforceable against Gilead. Pet. App. 93a-94a & n.3, 102a, 104a; *see id.* at 102a (noting that "Durette was Merck's attorney" and thus had a "duty of candor" that was violated when he "lied repeatedly at his deposition and at trial"). The consequence of the ruling, however, was not to invalidate Merck's patents; it was only to prevent Merck from benefitting from its misconduct in a suit against Gilead.

Merck appealed to the Federal Circuit. Again it made no argument that unclean hands was categorically unavailable against a claim for damages. The court unanimously affirmed. Pet. App. 1a-31a (op. of Taranto, J.). It agreed with the district court that

there was "serious" and "evidence-supported misconduct," including "intentional testimonial falsehoods." *Id.* at 16a-17a, 23a.

REASONS FOR DENYING CERTIORARI

This Court should deny review because (I) Merck did not present, and the Federal Circuit has never addressed, the issue of statutory construction presented here; (II) there is no circuit conflict; and (III) Merck is wrong on the merits.

I. Review Is Unwarranted Because Merck Did Not Press, And The Federal Circuit Has Never Decided, The Question Presented.

Merck asks this Court to resolve an issue that Merck never raised and the courts below never addressed. In fact, the Federal Circuit—the only circuit with jurisdiction to resolve this question of how to interpret the Patent Act—has never addressed it in any case. This Court should adhere to its usual practice of declining to decide an issue of first impression without the benefit of any prior appellate exploration.

A. Merck never raised—and the courts below never considered—the question presented.

Merck never made the argument it now presents to this Court for "review": that under the Patent Act, the unclean-hands defense is categorically inapplicable to claims for damages.

1. In the district court, Merck agreed to a bench trial on the defense of unclean hands. Pre-Trial Conference Tr., ECF No. 280 at 17-18. It knew that the only consequence of the defense was to wipe out damages, because it declined to request injunctive relief in its complaint and repeatedly emphasized to the jury that only damages, not an injunction, were in the offing. A463; *see* A19,892 (166:15-17). Yet Merck never disputed that the unclean-hands defense, if satisfied, would foreclose damages. It merely presented a host of arguments for why the defense was not satisfied by the facts of this case. *See, e.g.*, Merck's Post-Trial Brief on Equitable Defenses, ECF No. 409.

That is why the district court never addressed the categorical argument Merck now presents. Instead, the court recounted—and rejected—the full panoply of arguments that Merck did make. As the court explained, Merck argued that "unclean hands is precluded by the jury's verdict"; that "Durette's testimony" was merely "the failed memory of a retired employee"; and that, "even if the Court finds fabricated testimony, unethical business practices, and litigation misconduct, none of that conduct *amounts to* unclean hands." Pet. App. 102a-103a (emphasis added); *see id.* at 103a-114a (listing, and rejecting, six case-specific variations on this "amounts to" argument, and Merck's other aforementioned arguments); *id.* at 114a-118a (rejecting Merck's separate argument that, even if its wrongdoing was substantial, it should prevail on the equities).

On appeal to the Federal Circuit, Merck merely renewed a subset of its old arguments that Gilead had not met its burden of proving unclean hands. Merck

led with an argument that any misconduct was immaterial—that it did not have a sufficient relationship to the results of the litigation. Merck C.A. Br. 39-55. It started with the legal proposition that the district court erred by failing to impose a materiality requirement before applying the unclean-hands defense. *Id.* at 39-46 (under the header, "The District Court Applied a Legally Incorrect Standard"). It continued with the factual follow-up that any misconduct was immaterial because it did not benefit Merck or harm Gilead. *Id.* at 46-55 (under the headers, "Merck Gained No Unfair Advantage And Gilead Suffered No Injury from the Alleged 'Litigation Misconduct'" and "There Was No Unfair Advantage or Injury from the Alleged 'Business Misconduct'"). Nowhere did Merck's materiality-based attack argue that the Patent Act makes unclean hands categorically inapplicable against damages without regard to the facts at hand.

Beyond materiality, Merck argued only lack of egregiousness, that the equities did not favor non-enforcement, and that unclean hands could not bar enforcement of a patent to which the misconduct did not relate. *E.g.*, Merck C.A. Br. 56-63 (under the header, "The Findings Do Not Establish the Egregious Misconduct Required for Unclean Hands"); *id.* at 63-65 (under the header, "The Equities Favor Enforcing the '499 Patent"); *id.* at 65-70 (arguing unclean hands could not bar enforcement of the '712 patent because Merck's business misconduct "did not taint" the patent and Durette's false testimony did not "touch[] on" the patent).

Neither Merck's reply brief nor its 45-minute oral argument said a word about any categorical bar on applying unclean hands to damages.[2]

2. Merck asserts (at 19) that it "urged" its categorical argument on the Federal Circuit. But all it offers in support of that assertion is a pair of quotations from its opening brief—seven pages apart—neither of which came close to raising the argument.

The first is a sentence snatched out of context from the introductory paragraph of the Argument section. The sentence is at the end of a passage that previews a fact-specific challenge to the district court's application of unclean hands to *one* of the two patents at issue:

> The court revoked relief for the '712 patent without finding ***any*** misconduct related to that patent's validity or its assertion. "[O]utraged" by what it considered "untruthful testimony" from a former Merck employee, the district court denied recovery because, if one patent were found "uncontaminated," Merck would "face no penalty." But unclean hands does not grant courts free-floating authority to deny legal rights as punishment.

Merck C.A. Br. 38 (citations omitted). Merck isolates the last sentence and fixates on the word "legal." But in context, that argument had nothing to do with distinguishing damages from equitable remedies. And it

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[2] http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2016-2302.mp3.

certainly did not propose a threshold categorical rule against applying unclean hands to *any* damages award.

The second quotation came toward the end of a lengthy argument that "The District Court Applied A Legally Incorrect Standard" of materiality regarding the *other* patent. *Id.* at 39. The two sentences Merck quotes were in the middle of a paragraph characterizing the materiality standard the district court applied. The paragraph began: "The district court's rejection of any materiality requirement unmoors unclean hands from its purpose." *Id.* at 45. It ended: "There is no authority for stripping Merck of its right to enforce a valid patent against an adjudicated infringer based on conduct that affects neither the patent's validity nor the litigation's outcome." *Id.* at 46. In the middle of the paragraph was the assertion Merck isolates, characterizing the district court's approach to materiality as "particularly inappropriate where unclean hands—an equitable doctrine—is applied to bar a legal claim for damages." *Id.* at 45 (emphasis omitted). Then came a partial quotation from a treatise to the same effect. *Id.* at 45-46 (quoting 1 D. Dobbs, Law of Remedies § 2.4(2) (2d ed. 1993)).

Needless to say, a passing comment about what made the district court's materiality analysis "particularly inappropriate" did not present to the Federal Circuit the sort of categorical rule of statutory construction Merck now asks this Court to adopt. Certainly, the Federal Circuit did not think Merck was raising any such argument. Its detailed analysis did not mention or consider any categorical obstacle to ap-

plying the unclean-hands defense. Rather, the Federal Circuit carefully analyzed—and rejected—each argument that Merck did make, none of which Merck attempts to revive here. Pet. App. 14a-31a (rejecting all of Merck's arguments).

In short, Merck always assumed that the unclean-hands defense *could* apply; it argued only that the defense was not satisfied. Having failed to raise its categorical argument below, Merck cannot legitimately raise it now.

B. The Federal Circuit has never addressed the question presented in any opinion.

Sometimes, a failure to raise an issue may be excusable—or at least tolerable—where the court of appeals has already resolved the issue in an opinion so thorough and authoritative that further ventilation would be futile. But not here. Merck seems to be suggesting otherwise when it announces (at 19) that "Entrenched Federal Circuit Precedent" has resolved the question presented. Quite the contrary, the Federal Circuit—the only circuit with jurisdiction to interpret the Patent Act—has never addressed the question presented in *any* case. Thus, Merck asks this Court to decide what it describes (at 2-3) as "a fundamental question" of patent law with "profound impacts," without the benefit of any reasoned appellate opinion addressing the issue.

1. The unclean-hands and inequitable-conduct cases Merck cites do not address the question presented.

a. In support of the assertion (at 20-21) that the Federal Circuit has "repeatedly" attempted to "justify expanding the equitable 'unclean-hands' defense to defeat legal claims for damages," Merck cites two Federal Circuit opinions on unclean hands. *See Aptix Corp. v. Quickturn Design Sys., Inc.*, 269 F.3d 1369 (Fed. Cir. 2001); *Consol. Aluminum Corp. v. Foseco Int'l Ltd.*, 910 F.2d 804 (Fed. Cir. 1990). But in each case, as here, the patentee assumed on appeal that the defense applies to damages claims.

In *Aptix*, the patentee sought to defeat the unclean-hands defense solely by arguing—much as Merck did below—that the record did not "support findings of fraud" rising to the level of unclean hands. 269 F.3d at 1374. The patentee also sought to clarify that the remedy for unclean hands is merely that the offending party cannot enforce the patent in litigation tainted by the misconduct—not that the patent is invalid as against all other infringers. *Id.* at 1374-78. In *Consolidated Aluminum*, the patentee argued only that it did not have a culpable mental state, and that—as Merck also argued—any misconduct was confined to one patent and so did not constitute unclean hands as to the other patents asserted. 910 F.2d at 808-12. Because the patentee in each case never suggested that the unclean-hands defense was categorically inapplicable to damages, the court said nothing on that issue.

These decisions therefore do not resolve the question presented here and did not foreclose Merck from raising it below: "Questions which merely lurk in the record, neither brought to the attention of the court nor ruled upon, are not to be considered as having been so decided as to constitute precedents." *Cooper Indus., Inc. v. Aviall Servs., Inc.*, 543 U.S. 157, 170 (2004) (quotation marks omitted).

b. Moving beyond unclean-hands caselaw, Merck points (at 21) to one decision where the Federal Circuit applied a different defense—inequitable conduct—against a patent-damages claim. *See J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553 (Fed. Cir. 1984). Merck's premise seems to be that the Federal Circuit's analysis of inequitable conduct, another defense with equitable roots, shows how it would evaluate unclean hands. *See* Pet. 20-21. Merck does not explain how that analogy would justify forfeiting the argument here.

More important, neither *J.P. Stevens* nor any other inequitable-conduct case addresses the analogous argument that there is a categorical rule against applying the inequitable-conduct doctrine to legal damages. In *J.P. Stevens,* too, the parties took the application of the defense for granted. So the court addressed only the same sorts of case-specific arguments that the Federal Circuit resolved in this case and other unclean-hands cases. *See* 747 F.2d at 1559-67.

c. Merck twice attributes to the Federal Circuit a rationale that appears nowhere in any of these decisions: "To justify expanding the equitable '*unclean-*

hands' defense to defeat legal claims for damages, the Federal Circuit invoked the 1938 Rules of Federal Procedure—and Rule 2's creation of a single cause of action for legal and equitable claims." Pet. 21 (emphasis added); *see* Pet. 3.

None of the unclean-hands cases Merck invokes even cites either rule. Nor do the inequitable-conduct cases. Merck imports that rationale from an abrogated laches case, which (as discussed immediately below) is inapposite. But for present purposes, suffice it to say that the unclean-hands and inequitable-conduct cases had no need "[t]o justify" anything, because no one challenged the proposition that when a patent is "unenforceable," within the meaning of the Patent Act, it cannot be a basis for awarding damages.

2. *Aukerman*, an abrogated case about laches, also does not address the question presented.

To mask the gap in the caselaw on unclean hands, Merck invokes *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc), *abrogated by SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954 (2017). Merck declares: "The Federal Circuit recognizes that *unclean hands* is an equitable defense …. Yet it holds that the defense is 'available to bar legal relief, including patent damage actions.'" Pet. 6 (quoting *Aukerman*, 960 F.2d at 1031; other citation omitted; emphasis added). Those nine quoted words were indeed in *Aukerman*. But the quote was not about unclean hands. *Aukerman* was the case (referenced immediately above) addressing laches.

Merck's unstated logic seems to be that it was futile to seek a Federal Circuit ruling on whether unclean hands is a defense to damages, because *Aukerman*'s decision on laches foreclosed all debate on the subject. That is absurd. There is zero chance that the panel here would have adopted *Aukerman*'s logic, which posited that the merger of law and equity supported the conclusion that laches could bar a damages claim. By the time this case went up on appeal, the en banc Federal Circuit had already abandoned that portion of *Aukerman* as incompatible with this Court's decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014). *See SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1319, 1323-26 (Fed. Cir. 2015) (en banc). Moreover, three months before Merck filed its reply brief in the Federal Circuit, this Court abrogated what remained of *Aukerman*. *SCA Hygiene*, 137 S. Ct. at 959, 967. So *Aukerman* would not have foreclosed Merck's argument: The Federal Circuit would have assessed Merck's question presented on a clean slate, based on principles that this Court prescribed post-*Aukerman*—foremost among which is the admonition to start with the language of the Patent Act. *See, e.g.*, *id.* at 961-64.

In short, there is no basis on which to surmise that the Federal Circuit would have found *Aukerman*'s abrogated logic decisive in this case. Even if such a course were possible, the point remains: No one could know for sure what the Federal Circuit would have decided, or on what basis, because Merck chose not to raise the issue. It is now forfeited.

C. This Court should follow its normal rule and decline to consider a question that has not been raised or resolved in the lower courts.

Given Merck's forfeiture, this Court should follow its "traditional rule," which "precludes a grant of certiorari … when the question presented was not pressed or passed upon below." *United States v. Williams*, 504 U.S. 36, 41 (1992); *accord, e.g.*, *OBB Personenverkehr AG v. Sachs*, 136 S. Ct. 390, 398 (2015); *Clark v. Arizona*, 548 U.S. 735, 765 (2006). The rationale for this rule is that this is a Court "of review, not of first view"—a forum in which it is "unwise to consider arguments in the first instance." *Byrd v. United States*, 138 S. Ct. 1518, 1527 (2018). That rationale has particular force here. Merck's argument harkens back to arcane, idiosyncratic distinctions between law and equity. *See, e.g.*, 9 Fed. Prac. & Proc. Civ. § 2302 (3d ed.) ("[T]he distinctions between law and equity are ancient, and largely unlearned, history."). And those distinctions are relevant only to the extent they survive the Patent Act's specific reference to granting the defense of "unenforceability" "in any action." These are the sorts of issues on which a lower court's thoughtful analysis would be beneficial.

Nor are there extenuating circumstances that favor abandoning the rule here. As Merck itself has acknowledged, "the defense of unclean hands" is "exceptional" and "rarely applied." Merck C.A. Br. 2. That is because patentees rarely engage in the sorts of egregious business misconduct and intentionally false testimony that the lower courts attributed to Merck here. And when they do, it is not easy to show

the requisite connection between the misconduct and the litigation.[3]

II. Review Is Unwarranted Because There Is No Conflict Among The Courts Of Appeals.

Merck asserts a conflict among the courts of appeals. It cites (at 22-23) only a handful of decades-old decisions in this regard. But they present no conflict for two reasons.

First, although Merck tries to frame the question more expansively, it eventually has to concede (at 27) that the issue in this case is what the *Patent Act* means when it provides that "unenforceability" "shall be" one of the "defenses *in any action* involving the

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[3] As explained below (*infra* Part III.A), the question presented is specific to the patent context. But given Merck's invocation of other applications of the doctrine, it is notable that the defense is infrequently applied even outside patent law. *See, e.g.*, *Dream Games of Ariz., Inc. v. PC Onsite*, 561 F.3d 983, 990 (9th Cir. 2009) ("the defense of illegality or unclean hands is 'recognized only rarely'" in copyright (quoting 4 Nimmer on Copyright § 13.09[B])); David S. Almeling et al., *A Statistical Analysis of Trade Secret Litigation in Federal Courts*, 45 Gonz. L. Rev. 291, 325 (2009) (from 1950 to 2008, unclean hands raised successfully in only 1 of 394 written opinions on trade-secret law).

To the extent Merck leans on the defense of inequitable conduct, *see* Pet. 20-21, which also falls outside the ambit of the question presented, that defense's application is similarly rare. *See* Lee Petherbridge et al., *The Federal Circuit and Inequitable Conduct: An Empirical Assessment*, 84 S. Cal. L. Rev. 1293, 1340 (2011) (from 1983-2010—before *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc), made the defense more difficult to establish—the Federal Circuit reached an ultimate conclusion that inequitable conduct was committed about 2.5 times a year).

validity or infringement of a patent." 35 U.S.C. § 282(b)(1) (emphasis added). The decisions from courts of appeals that Merck cites are not patent cases and do not involve any similar statutory scheme. At this point, the Federal Circuit is the only circuit that has the jurisdiction to answer that question, and as discussed (at 15-20), it has yet to do so. So decisions from other circuits about how to apply unclean hands under common law cannot represent circuit splits.

Second, even on the broader common-law question, there is no circuit conflict. Merck correctly points out that at least three regional circuits have held that unclean hands can be a defense to a claim for damages. Pet. 22-23. But Merck is wrong in claiming that "[a]t least three [other] circuits agree" that unclean hands "should not be applied to defeat legal relief." Pet. 22 (emphasis omitted). Every single decision Merck cites for that proposition addresses unclean hands only in dicta. *See McAdam v. Dean Witter Reynolds, Inc.*, 896 F.2d 750, 756 (3d Cir. 1990) (deciding scope of *in pari delicto* defense while mentioning unclean hands only in an aside); *Tarasi v. Pittsburgh Nat'l Bank*, 555 F.2d 1152, 1157 (3d Cir. 1977) (same); *Conn. Importing Co. v. Frankfort Distilleries, Inc.*, 101 F.2d 79, 81 (2d Cir. 1939) (same); *Coats & Clark, Inc. v. Gay*, 755 F.2d 1506, 1511 (11th Cir. 1985) (affirming exclusion of evidence as "irrelevant" to negligence claim, and mentioning unclean hands only in speculating about additional concerns the trial judge "may have considered").

Dicta do not make for a conflict among the courts of appeals. This Court "reviews judgments, not statements in opinions." *California v. Rooney*, 483 U.S.

307, 311 (1987). Indeed, if there is anything to be gleaned from the stray statements Merck invokes, it is that the lower courts have not sufficiently considered whether federal common law should apply unclean hands to legal relief. Thus, even if that issue were present, review would not be warranted.

III. Review Is Unwarranted Because Merck Is Wrong On The Merits.

Merck's petition also fails on the merits. Merck disregards the Patent Act's definitive direction on the question presented, mischaracterizes this Court's precedent, and defies Congress's intention to protect the integrity of legal proceedings and deter egregious misconduct in securing, prosecuting, and enforcing patents.

A. The Patent Act codifies the unclean-hands defense.

The one lesson of patent law that this Court has reiterated more frequently than any other is that analysis must start with the Patent Act. *See, e.g.*, *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 572 U.S. 915, 926 (2014) (decision dictated by what "the text and structure of the Patent Act clearly require"); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 553 (2014) ("Our analysis begins and ends with the text of § 285[.]"). Yet Merck devotes (at 27) only a couple of sentences to the text.

We start with the Patent Act. The pertinent provision, § 282(b), reads, in relevant part, as follows:

> (b) **Defenses.**—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*.
>
> (2) Invalidity of the patent or any claim in suit[.]

35 U.S.C. § 282(b) (emphasis added); *see id.* § 282(b)(3) (other invalidity defenses). Merck does not dispute that unclean hands is a "defense [of] unenforceability," which is how courts at the time had consistently referred to it. *See, e.g.*, *Standard Register Co. v. Am. Sales Book Co.*, 148 F.2d 612, 612 (2d Cir. 1945); *Buromin Co. v. Nat'l Aluminate Corp.*, 70 F. Supp. 214, 216-17 (D. Del. 1947).

That being so, Congress could scarcely have been more definitive about how to treat unclean hands. It dictated that "unenforceability" "shall be [a] defense." And it went out of its way to specify that the defense is available "in any action." It did not say, "in any action seeking equitable relief." Congress punctuated the point by bunching all the traditionally equitable defenses under the label "unenforceability." "Unenforceable" is most naturally understood to bar *any* enforcement. It does not mean "enforceable through damages, but unenforceable by injunction." Congress further emphasized the point by putting "unenforceability" on a par with the other standard defenses of "[n]oninfringement, absence of liability for infringement," and every possible brand of "[i]nvalidity"—all of which apply without regard to the relief sought.

If Congress had wanted to limit unenforceability defenses to equitable relief, it would not have mentioned enforceability in the section that is about liability. It would have placed the concept in the next section, entitled "Injunction." 35 U.S.C. § 283. Or at a minimum, it would have expressly limited unenforceability by invoking "the principles of equity," as that next section does with injunctions. *Id.*

Merck addresses none of this. It does not deny that the text is most naturally read to treat unenforceability as a bar to *any* enforcement. It merely argues that Congress would have expected otherwise. In so arguing, Merck attempts to "invent a statute rather than interpret one." *Pasquantino v. United States*, 544 U.S. 349, 359 (2005).

B. Merck mischaracterizes this Court's precedent.

To justify its counter-textual result, Merck misreads the common-law backdrop and misinterprets this Court's opinions.

1. Merck's main premise is that "[t]his Court has scrupulously enforced the substantive distinction between law and equity" by refusing to apply equitable defenses against legal remedies. Pet. 17. Merck reaches that conclusion only by ignoring the numerous circumstances in which this Court has held that equitable defenses *do* apply against the legal remedy of damages, even in actions in law. If ever there were an equitable remedy that warranted that flexible treatment, it is unclean hands—a doctrine "[c]reated to avert the evils of archaic rigidity" that "has always

been characterized by flexibility." *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 248 (1944).

Start with the two defenses that are most analogous to unclean hands. The first, patent misuse, this Court has described as "an extension of the equitable doctrine of 'unclean hands' to the patent field." *U.S. Gypsum Co. v. Nat'l Gypsum Co.*, 352 U.S. 457, 465 (1957). The second, *in pari delicto*, is "closely related to, and … a corollary of, the clean-hands maxim." 27A Am. Jur. 2d Equity § 103; *accord Pinter v. Dahl*, 486 U.S. 622, 632 (1988). Both defenses apply to legal claims for damages.

As to patent misuse, this Court recognized that "courts will not aid a patent owner who has misused his patents to recover *any of their emoluments* accruing during the period of misuse or thereafter until the effects of such misuse have been dissipated." *Gypsum*, 352 U.S. at 465 (emphasis added). "Emoluments" referred to any and all relief. The patentee explicitly sought "damages" in an action post-dating the merger of law and equity. *Id.* at 459; *see id.* at 461-62 (actions filed in 1953 and included counts for "damages for patent infringement"). As to the defense of *in pari delicto*—or "equal fault"—this Court has noted the equitable nature of the defense and nevertheless held that it can bar "a private action for damages" arising from violations of the antifraud provisions of the Securities Exchange Act of 1934, which is obviously legal relief in an action at law. *Bateman Eichler, Hill Richards, Inc. v. Berner*, 472 U.S. 299, 306-07, 310-11 (1985).

Since this Court has recognized that the defenses most analogous to unclean hands override legal claims for damages, there is no good reason to treat unclean hands differently.

Equitable estoppel punctuates the point. That doctrine is "chiefly, if not wholly, derived from courts of equity." *Kirk v. Hamilton*, 102 U.S. 68, 78 (1880) (quotation marks omitted). Yet this Court has acknowledged that it is "a defense long recognized as available in actions at law"—and that it bars damages in such actions. *Petrella*, 134 S. Ct. at 1977 (citing *Wehrman v. Conklin*, 155 U.S. 314, 327 (1894)); *see, e.g.*, *SCA Hygiene*, 137 S. Ct. at 967 (endorsing *Petrella*'s remarks); *Kirk*, 102 U.S. at 77 (noting "an increasing disposition to apply the doctrine of equitable estoppel in courts of law"). In fact, this Court has recognized that "the doctrine of [equitable] estoppel may bar … claims completely, *eliminating all potential remedies*." *Petrella*, 134 S. Ct. at 1977 (emphasis added).

Equitable estoppel serves some of the same functions as unclean hands: preserving the integrity of legal proceedings by denying relief to a party who seriously misbehaved regarding the subject of litigation. This Court extended equitable estoppel to actions at law because "[p]rotection against fraud is equally necessary, whatever may be the nature of the interest at stake." *Kirk*, 102 U.S. at 78 (quotation marks omitted). The same rationale holds for unclean hands, which protects against fraud and other forms of egregious misconduct. *See, e.g.*, *Hazel-Atlas*, 322 U.S. at 239 (unclean hands arising from "fraud … perpetrated … by a successful litigant").

2. Merck argues (at 27) that regardless of this Court's approach to analogous equitable defenses, "the traditional rule—repeatedly articulated by this Court—is that unclean hands is a defense only to equitable relief." To the contrary, this Court has applied the defense more broadly—in a patent case, no less.

Merck cites (at 28) a "trio of unclean-hands cases" that this Court has decided in the patent context. Two of them—*Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240 (1933), and *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945)—did not concern legal relief. So they could not possibly "make[] clear that unclean hands applies *only* to a plaintiff seeking equitable relief." Pet. 28. The question was neither presented nor considered.[4]

Not so for the third, and most recent of the cases, *Hazel-Atlas*. There, this Court *did* apply unclean hands to wipe out damages. The suit was for various remedies, including "an accounting for profits *and damages*." 322 U.S. at 241 (emphasis added). Only by editing out that mention of damages can Merck suggest (twice) that *Hazel-Atlas* only "refused the plaintiff the equitable remedies of an injunction and accounting." Pet. 5; *see* Pet. 29. This Court issued that opinion just a few years before Congress passed the Patent Act. Thus, although the case was before a

[4] Merck mistakenly asserts (at 29) that "the Federal Circuit has taken" those two cases "as authority for extending that equitable defense to legal relief." In fact, the Federal Circuit has relied on them only as authority for what a defendant must prove to demonstrate unclean hands. *E.g.,* Pet. App. 13a-14a, 28a.

court of equity, it was within Congress's contemplation that unclean hands would wipe out damages.

To be sure, *outside* the patent context, the line has been blurrier. On the one hand, in one of its earliest unclean-hands cases, this Court noted that claimants "could not come *into a court of prize*"—which was distinct from courts of equity—"unless with clean hands, to claim restitution in *damages*." *The Anna Maria*, 15 U.S. 327, 330 (1817) (emphasis added). On the other hand, Merck correctly points out (at 17) that *Manufacturers' Finance Co. v. McKey*, 294 U.S. 442 (1935), had some expansive language (unnecessary to its narrow holding) that unclean hands is inapplicable to a legal claim. Of course, *Hazel-Atlas* was both more recent and a patent case, which would have made it far more relevant to the drafters of the Patent Act. Plus, *McKey* was a state-law contract action, *see* 294 U.S. at 443-44, 448, and its comments on legal claims were dicta, because the Court concluded that there was "no unconscionable or inequitable conduct" in the first place, *id.* at 451.

For all those reasons, whatever limited precedential value *McKey* might have in some future case outside the patent context, it does not come close to advancing Merck's central point: that the supposed "rule … that unclean hands is a defense only to equitable relief" was so "well established [that] courts may take it as a given that Congress has legislated with an expectation that the principle will apply." Pet. 27 (citation and quotation marks omitted). If Congress had any expectation at all, it would have been the opposite, in light of *Hazel-Atlas* and cases on the most

analogous equitable defenses. At worst, the background rule would have been unclear, which is why Congress took pains not to call them "equitable" defenses, but "unenforceability" defenses, and to say that they "shall apply" "in any action."

3. Instead of focusing on the equitable defenses that are most analogous to unclean hands, Merck puts heavy emphasis on this Court's decisions on laches. Merck cites (at 27) *SCA Hygiene* for the proposition that "this Court has already rejected" the plain reading of § 282 that we offer. It also invokes (at 19) both *Petrella* and *SCA Hygiene* for the proposition that this Court refuses to apply equitable defenses to override damages. Merck misreads those decisions.

Petrella and *SCA Hygiene* did not hold that equitable defenses are categorically inapplicable to damages. They both allowed that equitable estoppel could bar damages. *Supra* pp. 27-28. And they did not even hold that *laches* could never be applied against damages. Indeed, this Court declined to accept the defendants' arguments in those cases premised on such a categorical rule. *See, e.g.*, Pet'r Br. 47, *Petrella*, 134 S. Ct. 1962 ("[A]s a defense traditionally confined to equity, laches cannot limit relief at law."); Pet'r Br. 39, *SCA Hygiene*, 137 S. Ct. 954 (similar). Instead, all the Court decided was that the defendant could not invoke laches to *contradict* an explicit statutory limitations period. Specifically, it held only that laches "cannot be invoked to bar a claim for damages *incurred within a limitations period specified by Congress*." *SCA Hygiene*, 137 S. Ct. at 963 (emphasis added); *see Petrella*, 134 S. Ct. at 1974 (reaffirming that "*in the face of a statute of limitations enacted by*

Congress, laches cannot be invoked to bar legal relief" (emphasis added)). The rationale was that statutory text reigns supreme. *See, e.g.*, *Petrella*, 134 S. Ct. at 1974 n.15.

Thus, all this Court did in those cases was what we would ask it to do should it ever decide to accept the question presented: Read the statutory language (here, the Patent Act) and decide what *Congress* had to say about the proposed remedy. Unlike in the laches context, nothing in the Patent Act explicitly or impliedly negates Congress's express direction that a court "shall" apply the unclean-hands defense "in any action."

Which brings us to Merck's suggestion (at 27) that *SCA Hygiene* forecloses our plain language argument. Not so. *SCA Hygiene* expressly declined to delineate § 282(b)(1)'s precise contours. It stated, "[w]e need not decide" whether and to what extent the Patent Act codified the defense of laches. 137 S. Ct. at 962-63. It even "assume[d] for the sake of argument that § 282(b)(1) incorporates a laches defense *of some dimension*." *Id.* It definitely did not hold the provision prohibits all equitable defenses to be applied against damages claims.

C. The question presented implicates no Seventh Amendment concerns.

Merck closes (at 30-31) with the assertion that the plain reading of the Patent Act raises Seventh Amendment concerns. Merck is wrong as a general matter, and certainly on the facts of this case.

1. Merck's argument is that Congress is constitutionally prohibited from passing a statute that allows "equitable *defenses* adjudicated by the court to defeat legal *claims* decided by the jury." Pet. 31. That would mean that no matter how clearly Congress states its intention, the Seventh Amendment prohibits it from prescribing a patent-infringement action for damages that is subject to a defense that can be decided by a judge (in equity or otherwise). And the rule would apply to any judicial decision that keeps an otherwise valid legal claim from a jury as much as to a decision that overrides a jury's verdict.

Merck cites no case that has ever held any such thing. Cases are legion in which judges make decisions that preclude or override a jury verdict on a purely legal damages claim. We have already mentioned several. As noted above, a judge is free to apply the equitable doctrine of patent misuse to "hold[] as a matter of law that [the patentee] was barred from *any kind of recovery*" for patent infringement given its alleged misuse. *Gypsum*, 352 U.S. at 465. Same for the equitable defense of *in pari delicto*, which bars "a private action for damages" under the Securities Exchange Act of 1934. *Bateman*, 472 U.S. at 306-07, 310-11. And "the doctrine of [equitable] estoppel may bar … claims completely, *eliminating all potential remedies*." *Petrella*, 134 S. Ct. at 1977 (emphasis added); *see Kirk*, 102 U.S. at 77.

Similarly, "[j]udicial estoppel is an equitable doctrine invoked by a court at its discretion" that "prevents a party from asserting a *claim* in a *legal* proceeding that is inconsistent with a claim taken by that party in a previous proceeding." *New Hampshire*

v. Maine, 532 U.S. 742, 749-50 (2001) (emphasis added; quotation marks omitted). And in the face of a breach-of-contract claim for damages, the accused breacher can seek to "rescind [the] contract" as "induced by fraud," a claim that would be "maintained in equity." *Deckert v. Indep. Shares Corp.*, 311 U.S. 282, 289 (1940); *accord Transamerica Mortg. Advisors, Inc. (TAMA) v. Lewis*, 444 U.S. 11, 18-19 (1979) (Investment Advisers Act of 1940 created equitable action for rescission; noting analogs, including at common law). A court is allowed to accept all these defenses, whether before heading to trial or after a verdict.

The judicial override does not violate the Seventh Amendment in any of these situations. The reason is plain from the text of the Seventh Amendment: "no fact tried by a jury shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law." The Seventh Amendment prohibits a judge from "re-examin[ing]" a "fact tried by a jury." This Court long ago established that a judge may resolve equitable issues without offending the Seventh Amendment, provided the judge does not override a determination of facts that the jury necessarily decided. *See Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 41-42 (1989); *see also Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 334-35 (1979); *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 510-11 (1959).

Applying unclean hands to patent-infringement claims for damages is consistent with that rule, because a judge can find that the patentee has unclean hands without contradicting any fact that a jury finds.

For example, a jury finds infringement by determining whether an accused product satisfies the claim terms. And a jury can reject a challenge to a patent's validity by concluding, for example, that the patented invention was not anticipated by prior art. 35 U.S.C. § 102. A judge would not need to re-examine any of those findings to conclude that the patentee has lost the right to enforce the patent because it engaged in egregious misconduct in securing the patent, in business dealings with the defendant, or in litigation over the patent. The jury's fact-finding is intact, even if the verdict is disturbed.

2. If a case ever arises where a judge's finding of unclean hands would inherently contradict a fact the jury found, the patentee is free to raise a Seventh Amendment claim. But here Merck made the strategic decision to agree to have the district court resolve the unclean-hands defense in a second-phase bench trial, rather than insisting that the defense be tried to the jury. Pre-Trial Conference Tr., ECF No. 280 at 17-18. That waived any such Seventh Amendment objection. *Beacon Theatres*, 359 U.S. at 510.

Moreover, Merck is wrong to suggest (at 31) that "[t]his case exemplifies the Seventh Amendment problems." The jury decided only two questions of validity: whether Gilead proved by clear and convincing evidence that the patents adequately (1) described and (2) enabled the invention. 35 U.S.C. § 112. Both required the jury to assess nothing but what a person of ordinary skill in the field would glean from the patents' written description. Final Jury Instruction Nos. 23-24, ECF No. 352. And Merck does not suggest that

the courts' unclean-hands rulings reconsidered any of those findings.

Instead, Merck focuses (at 32-33) on evidence presented to the jury on two derivation-related defenses. The evidence related to whether Merck derived from Pharmasset the subject matter claimed, 35 U.S.C. § 102(f), and whether Pharmasset invented the subject matter claimed before Merck, *id.* § 102(g)(2). But the jury made no particular findings on these defenses. At Merck's insistence, the court instructed the jury to deny both defenses automatically if it found that Gilead had failed to meet its burden on the written-description and enablement challenges, which the jury did. Final Jury Instruction Nos. 25-26, ECF No. 352; *see* A21,065-75.

In short, there is no inconsistency between the jury's conclusion that Merck's patents ended up being valid and the court's determination that Merck cheated en route to that result. As Merck conceded below, misconduct that "ultimately fails to affect" the outcome of "the litigation" can nevertheless constitute unclean hands. Pet. App. 15a; *see* C.A. Oral Arg. 4:50-5:40, 28:30-29:00.

D. Congress would not have embraced the perverse results Merck advocates.

Unclean hands serves to deter only the most egregious of abuses. And it does so with a measured remedy, proportional to the offense. Unclean hands does not strip Merck of its patent rights. It merely bars enforcement against Gilead, the direct victim of Merck's business treachery and serious litigation misconduct.

Merck accepts that Congress wanted to deter such egregious misconduct. It acknowledges that Congress barred the offending patentee from enforcing its patent rights through an injunction against the victim of the misconduct—or through other equitable remedies such as ongoing royalties to cover sales after the case is over. Merck does not even try to explain why Congress would have undermined that deterrence by rewarding the very same misconduct with huge damages. After all, injunctions are unavailable to many patentees. *See eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). And a patentee barred from ongoing royalties can just keep filing suits to recover damages at law throughout the remaining life of the patent. So if damages were still available, the unclean-hands defense would do little to dissuade patentees from engaging in abuse.

This is a case in point. No court was ever going to grant an injunction against the most effective HCV cure on the market, and Merck did not even seek one. So this was a damages game all along. And Merck treated it like a game to be won at all costs, betraying Pharmasset's trust and sponsoring false testimony by its own lawyer—not once but multiple times—in pursuit of damages that it valued at several billion dollars. A21,212 (2162:20-2163:6). An unclean-hands defense limited to equitable relief provides no meaningful deterrence to such egregious misconduct.

Worse, Merck's position is that all equitable defenses are subject to the same artificial limitation. That means an inventor and his lawyer have every incentive to lie to a patent examiner if that is what it

takes to get a patent, confident of reaping huge damages outside the reach of the defense of inequitable conduct. A patentee will also not think twice about expanding its patent monopoly beyond its inventive contribution or lying about it in court, without fear of losing damages under the doctrine of patent misuse, or tricking a competitor into infringing, without fear of equitable estoppel.

Given the perverse consequences of Merck's position, the only sensible approach is to read the Patent Act as it was written: to apply the unclean-hands defense, and every other "defense [of] unenforceability," "in any action"—not just in actions seeking equitable relief.

CONCLUSION

The petition should be denied.

Respectfully submitted,

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