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ARTICLES

INEQUITABLE CONDUCT IN RETROSPECTIVE: UNDERSTANDING UNCLEAN HANDS IN PATENT REMEDIES

T. LEIGH ANENSON* & GIDEON MARK**

There are critical challenges facing patent rights and remedies. The defense of inequitable conduct in the patent process is a controversial and prominent concern. It is one of the most significant judicially-created doctrines in patent jurisprudence and has been the subject of intense interest in the patent community. The United States Supreme Court's ruling in eBay Inc. v.

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MercExchange, L.L.C. *instructs that patent law is not an island, but rather is part of the broader law of equity and its remedies. Initially heeding that instruction, the Federal Circuit in* Therasense, Inc. v. Becton, Dickinson & Co. *unanimously decided to rehear en banc the issue of inequitable conduct in light of its origins in equity and unclean hands. Regrettably, the majority ultimately renounced the doctrine's heritage and reinvented the defense purely on policy grounds. Although the majority still called cheating in obtaining a patent monopoly inequitable conduct, there is little equity left.*

The Therasense *majority rewrote the rules of ancient equity without resorting to history or guiding legal theory. By revisiting the equitable doctrine of unclean hands, this Article provides critical guidance in the future adjudication of inequitable conduct. It evaluates what the defense could—and should—mean within the context of equity principles and patent remedy policies. In doing so, it shows how patent law may meaningfully join equity in substance and procedure in a manner also consonant with the legislature's interests. The suggestions build upon theoretical developments in patent rights and remedies. The analysis also unites a series of Supreme Court decisions on unclean hands, remedies, and patent law. Examining inequitable conduct from the perspective of equity jurisprudence as a whole exposes trends and themes that a narrower lens might have omitted and traces critical lines that have been ignored. While the literature on inequitable conduct is extensive, no one has examined inequitable conduct from its equitable tradition. Therefore, this article fills an essential gap in the scholarship on an issue of systemic importance.*

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When you get the dragon out of his cave on to the plain and in the daylight, you can count his teeth and claws, and see just what is his strength. But to get him out is only the first step. The next is either to kill him, or to tame him and make him a useful animal.

—*Oliver Wendell Holmes*[1]

INTRODUCTION

The U.S. Court of Appeals for the Federal Circuit recently pulled the patent dragon from its cave when it unanimously decided to rehear en banc the issue of inequitable conduct in *Therasense, Inc. v. Becton, Dickinson & Co.*[2] Consistent with the United States Supreme Court's direction to interpret equitable issues in patent remedies according to applicable equity principles,[3] the Federal Circuit announced that it would reexamine the parameters of inequitable conduct and review its link to the equitable doctrine of unclean hands.[4] In its landmark decision after rehearing however, a majority of the Federal Circuit surprisingly ignored tradition and permanently

1. Oliver Wendell Holmes, *The Path of the Law*, 10 HARV. L. REV. 457, 469 (1897) (discussing "why a rule of law has taken its particular shape").

2. 374 F. App'x 35 (Fed. Cir. 2010) (per curiam), *granting reh'g en banc to* 649 F.3d 1276 (Fed. Cir. 2011).

3. *See* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006) (noting that the principals of equity apply equally to disputes stemming from the Patent Act).

4. *Therasense*, 374 F. App'x at 35–36 (ordering the parties to brief several issues for rehearing, including whether "inequitable conduct [should] be modified or replaced"). The court continued, "If so, how? In particular, should the standard be tied directly to fraud or unclean hands? If so, what is the appropriate standard for fraud or unclean hands?" *Id.* (citations omitted).

removed the defense from the equitable foundation laid by the United States Supreme Court during the last century.[5]

The *Therasense* majority's rejection of the history of inequitable conduct contravenes the last word of the Supreme Court on the defense in patent law, contradicts its more recent precedent on patent remedies, and departs from the Court's equitable defense jurisprudence in other statutory contexts. Consequently, the majority's redefinition of inequitable conduct is at odds with not only an entire series of Supreme Court decisions, but also with an equity jurisprudence that has been settled for several hundred years.

While inequitable conduct has generated vigorous and continuous dialogue unparalleled in intellectual property law, the debate has centered on Federal Circuit precedent and policy.[6] This Article contributes to the inequitable-conduct discourse by moving beyond its narrow focus on existing doctrine and returning to the defense's broad history.[7] For the first time, this approach analyzes the defense from the tradition of equity and the doctrine of unclean hands.[8] Using the *Therasense* decision as a framing proposition, this article suggests what the past (and present) means, or could mean, for the future of inequitable conduct.

In particular, this Article advances the defense within an emerging philosophy of patent law and its remedies. There is consensus in the patent community that an absence of theory, not practice, has inhibited progress.[9] This analysis extends recent theoretical

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5. *See Therasense*, 649 F.3d 1276.

6. *See* Thomas F. Cotter, *An Economic Analysis of Patent Law's Inequitable Conduct Doctrine*, 53 ARIZ. L. REV. 735, 736 (2011) ("[T]he doctrine has emerged from obscurity over the past 30 years to become one of the most frequently raised defenses—and most hotly debated topics—in contemporary patent law."); *see also id.* at 736 n.2 (citing various literature discussing how often the inequitable-conduct doctrine is used as a defense in patent cases).

7. To identify the relationship between inequitable conduct and unclean hands, we evaluated historical materials on equity and unclean hands dating back to the doctrine's origin and beyond. We also consulted scholarly literature in America before and after its founding, as well as past and present English and other Commonwealth equity materials. We additionally analyzed numerous state and federal decisions involving unclean hands across the country. Our case examination included every one of the estimated one hundred Supreme Court opinions raising the issue of unclean hands. This study of American court practice identified the defense's origins, definitional elements, rationale, and extent of its application.

8. *See generally* Cotter, *supra* note 6, at 752 (commenting that "a more traditional view would locate the inequitable conduct doctrine in considerations of ethics and—as the name of the doctrine implies—equity"); Katherine Nolan-Stevaux, *Inequitable Conduct Claims in the 21st Century: Combating the Plague*, 20 BERKELEY TECH. L.J. 147, 149 (2005) (indicating that inequitable conduct is generally more broad than common law fraud).

9. *See, e.g.*, ROGER D. BLAIR & THOMAS F. COTTER, INTELLECTUAL PROPERTY: ECONOMIC AND LEGAL DIMENSIONS OF RIGHTS AND REMEDIES 23 (2005) (discussing the

developments in patent law.[10] This study also introduces equity scholarship[11] into the patent field and shares insights from remedies experts.[12] In connecting inequitable conduct to its underpinnings in equity, we additionally draw from our own work of providing a theoretical underpinning for unclean hands in the twenty-first century.[13]

The significance of this Article reaches past the patent field in understanding the unclean-hands doctrine, general equitable defenses, and remedies. Analyzing unclean hands in federal patent law further defines the parameters of the defense and outlines its use in a new context. The defense has been overlooked by legal scholars despite its impact in the hundreds of commercial-relations cases decided each year.[14]

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absence of theoretical and empirical evidence and literature addressing the ideal scope of patent rights).

10. *See, e.g.*, DAN L. BURK & MARK A. LEMLEY, THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT 18 (2009); Thomas F. Cotter, *Patent Remedies and Practical Reason*, 88 TEX. L. REV. SEE ALSO 125 (2009); John M. Golden, *Principles for Patent Remedies*, 88 TEX. L. REV. 505 (2010).

11. *See, e.g.*, DAN B. DOBBS, LAW OF REMEDIES § 2.4(2), at 68–72 (2d ed. 1993). This Article will further expound the defense offered by Zechariah Chafee, a former practitioner and Harvard Law School professor whose literature is the leading source of research on unclean hands in this country and abroad. *See generally* Scattaretico v. Puglisi, 799 N.E.2d 1258, 1261 n.13 (Mass. App. Ct. 2003) (referring to Professor Chafee's writings as "indispensable"); DOUGLAS LAYCOCK, MODERN AMERICAN REMEDIES 933 (1985) (describing Chafee's work as the "best treatment" of unclean hands). The Thomas M. Cooley Lectures that Chafee delivered at the University of Michigan Law School in 1949, and his subsequent publications in the *Michigan Law Review*, analyzed American cases applying the defense in a variety of areas, including patent law. *See* Zechariah Chafee, Jr., *Coming into Equity with Clean Hands*, 47 MICH. L. REV. 877 (1949) [hereinafter Chafee I]; Zechariah Chafee, Jr., *Coming into Equity with Clean Hands*, 47 MICH. L. REV. 1065 (1949) [hereinafter Chafee II]. Since the Supreme Court established the main contours of inequitable conduct by 1950, *see generally* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806 (1945), Chafee's reflections during the same time period aid in understanding the defense and its purposes as well as its relation to legislative goals. *See* Chafee II, *supra*, at 1070. Notably, Chafee's seminal work was overlooked by counsel in *Therasense* and accordingly not considered by the Federal Circuit.

12. *See, e.g.*, DOUG RENDLEMAN, COMPLEX LITIGATION: INJUNCTIONS, STRUCTURAL REMEDIES, AND CONTEMPT (2010); Douglas Laycock, *The Triumph of Equity*, 56 LAW & CONTEMP. PROBS., Summer 1993, at 53.

13. *See, e.g.*, T. Leigh Anenson, *Limiting Legal Remedies: An Analysis of Unclean Hands*, 99 KY. L.J. 63 (2011) [hereinafter Anenson, *Limiting Legal Remedies*]; T. Leigh Anenson, *Treating Equity Like Law: A Post-Merger Justification of Unclean Hands*, 45 AM. BUS. L.J. 455 (2008) [hereinafter Anenson, *Treating Equity Like Law*].

14. *See* T. Leigh Anenson, *Beyond Chafee: A Process-Based Theory of Unclean Hands*, 47 AM. BUS. L.J. 509, 510 (2010) [hereinafter Anenson, *Beyond Chafee*] (noting the applicability of the defense to tort and contract law, statutory disputes, and international human rights); T. Leigh Anenson, *The Role of Equity in Employment Noncompetition Cases*, 42 AM. BUS. L.J. 1, 47–51 (2005) [hereinafter Anenson, *Role of Equity*] (describing the importance of the defense and explaining its use in business situations).

Moreover, this examination of unclean hands adds to the theory and practice of general equitable defenses. While some defenses are specific to a particular cause of action, the equitable doctrine of unclean hands potentially applies in any dispute regardless of subject matter and operates across claims to effectively cancel existing legal rights.[15] As the Federal Circuit is well aware, courts can alter the value of rights by either liberally or restrictively interpreting the defenses that negate liability.

Furthermore, because the doctrine of unclean hands is a remedial defense, this Article informs the law of remedies. Equitable remedies are "in the midst of an American revolution" after the Supreme Court's recent patent decision in *eBay Inc. v. MercExchange, L.L.C.*,[16] This Article addresses a remedial issue raised in *eBay* and important jurisprudential query, providing a clearer conception of discretion in judicial decision making.[17] The discretionary inquiry focuses on ancient equity in the modern statutory context and the abstention courts exercise under the unclean-hands doctrine.[18]

In summary, this Article offers a new focus (equity), proposes a new approach (theory), and brings new sources to bear on the problematic doctrine of inequitable conduct. With millions spent

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15. *See, e.g.*, RENDLEMAN, *supra* note 12, at 146; SARAH WORTHINGTON, EQUITY 34 (2d ed. 2006) (noting that "clean hands" is an equitable defense). Unclean hands is a recognized defense to a number of federal statutory actions outside of patent law. *See, e.g.*, Alcatel USA, Inc. v. DGI Techs., Inc., 166 F.3d 772, 792 (5th Cir. 1999) (explaining that the "copyright misuse" doctrine "has its historical roots in the unclean hands defense"); *see also* Craig M. Boise, *Playing with "Monopoly Money": Phony Profits, Fraud Penalties and Equity*, 90 MINN. L. REV. 144, 189–92 (2005) (applying the unclean-hands defense to tax refund claims based on fraudulently inflated earnings).

16. 547 U.S. 388 (2006); *see* Mark P. Gergen et al., *The Supreme Court's Accidental Revolution? The Test for Permanent Injunctions*, 112 COLUM. L. REV. 203, 204–05 (2012) (explaining that "the *eBay* opinion has had cataclysmic effect" and has become "*the* test for whether a permanent injunction should issue, regardless of whether the dispute in question centers on patent law, another form of intellectual property, more conventional government regulation, constitutional law, or state tort or contract law"); *see also* Tracy A. Thomas, eBay *Rx*, 2 AKRON INTELL. PROP. J. 187, 189–90 (2008) (questioning whether the Supreme Court's right-remedy distinction facilitated its decision to restrict the remedy). After *eBay*, Douglas Laycock advised practitioners of the risk of not hiring a remedies expert. *See* Douglas Laycock, *Remedies: Justice and the Bottom Line*, 27 REV. LITIG. 1 (2007) (mentioning the different issues involved in remedies and introducing multiple remedy experts).

17. Sarah M.R. Cravens, *Judging Discretion: Contexts for Understanding the Role of Judgment*, 64 U. MIAMI L. REV. 947, 950 (2010) (advising that discretion began receiving scholarly attention in the late 1960s); Doug Rendleman, *The Trial Judge's Equitable Discretion Following* eBay v. MercExchange, 27 REV. LITIG. 63, 64 & nn.2–7 (2007) (citing articles devoted to discretion in substance, procedure, and jurisprudence).

18. *See, e.g.*, James M. Fischer, *What Hath* eBay v. MercExhange *Wrought?*, 14 LEWIS & CLARK L. REV. 555, 575 (2010) (concluding that the Supreme Court "remains committed to a traditional approach" to equitable remedies in statutory actions).

litigating infringement actions each year,[19] the Supreme Court must eventually decide on inequitable-conduct law.[20] By synthesizing Supreme Court decisions on unclean hands across a variety of statutory remedies, this Article aims to assist the Court in its analysis of the defense within the patent field and contribute to an understanding of equitable defenses in other federal legislation. It may also aid the Federal Circuit in applying *Therasense* and facilitate the district courts application of that precedent. Since Congress recently marshaled the political will to address part of the problem,[21] an appreciation of the historical basis of inequitable conduct may likewise guide construction of new legislation and regulations.

This Article proceeds in three parts. Part I provides an overview of unclean hands in federal court jurisprudence. It demonstrates that the Supreme Court has relied on tradition as an important method of interpretation in deciding patent and non-patent cases concerning equity, unclean hands, and inequitable conduct. It then traces the genesis of inequitable conduct doctrine across three Supreme Court patent decisions to its most recent iteration in the Federal Circuit opinion, *Therasense*.

Part II analyzes the new elements of the inequitable-conduct defense, as outlined by the Federal Circuit majority, in light of its origin in equity and unclean hands. Among other irregularities, this Part finds that the majority abandoned the elements of unclean hands and neglected key sources of normative and doctrinal guidance. The majority likewise discounted the defense's critical policy of court protection and, accordingly, misconceived the trilogy of Supreme Court decisions deriving the doctrine of inequitable

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19. *See* Kevin Mack, Note, *Reforming Inequitable Conduct To Improve Patent Quality: Cleansing Unclean Hands*, 21 BERKELEY TECH. L.J. 147, 166 (2006) (listing patent litigation costs at $650,000 to $4.5 million per party).

20. *See* Gregory A. Castanias et al., *Survey Of the Federal Circuit's Patent Law Decisions in 2006: A New Chapter in the Ongoing Dialogue with the Supreme Court*, 56 AM. U. L. REV. 793, 798 (2007) (noting the "more aggressive Supreme Court review of the substance of patent law and patent procedure and less deference to the Federal Circuit's views of what the content of U.S. patent law should be"); Arthur J. Gajarsa & Lawrence P. Cogswell, III, *The Federal Circuit and the Supreme Court*, 55 AM. U. L. REV. 821, 843 (2006) (remarking on the recent increase in the frequency of Supreme Court review of Federal Circuit patent decisions).

21. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.). Before 2011, legislative efforts to reform the patent system had been futile. *See, e.g.*, Mack, *supra* note 19, at 173–75 (outlining proposals for inequitable-conduct defense in the Patent Reform Act of 2005); Matthew M. Peters, *The Equitable Inequitable: Adding Proportionality and Predictability to Inequitable Conduct in the Patent Reform Act of 2008*, 19 DEPAUL J. ART, TECH. & INTELL. PROP. L. 77 (2008) (examining the Patent Reform Act of 2008 and arguing that the Act provides positive changes to the application of equitable conduct).

conduct. Part II also criticizes the majority for disregarding the discretionary nature of unclean hands, and coincidentally, inequitable conduct. Failure to account for the remedial discretion of the district court is at odds with the Supreme Court's most recent patent decision in *eBay*, along with decisions involving unclean hands in other federal statutes. The Federal Circuit's reinvention of inequitable conduct runs afoul of the Supreme Court's unclean hands jurisprudence, including its patent cases, which was established in accordance with the history of equity.

Part III evaluates whether the equitable nature of inequitable conduct inspired the current concerns with the defense's use enough to justify the majority's departure from tradition. It finds that the absence, rather than presence, of equity in the Federal Circuit's former decisions precipitated the need for reform. This Part also establishes that reliance on the principle of unclean hands will improve the practice of inequitable conduct and provide a more functional and reliable restriction on patent infringement remedies.

This Article concludes that the Federal Circuit could have tamed the patent dragon in *Therasense* pursuant to its origins in the equitable defense of unclean hands. The majority avoided an(other) opportunity to adhere to tradition and to provide a judicial, rather than political, solution. It is unfortunate that "nearly every Federal Circuit patent case to reach the Supreme Court in the past decade has been reversed or vacated in some form."[22] *Therasense* will likely be another.

I. EQUITY'S PILGRIMAGE IN PATENT LAW: FROM UNCLEAN HANDS TO INEQUITABLE CONDUCT

There is great "mischief" in seeking a patent.[23] With billions of dollars at stake in securing these federally-protected-monopoly rights,[24] failing to disclose information that may be detrimental to the

22. Gary M. Hoffman & Robert L. Kinder, *Supreme Court Review of Federal Circuit Patent Cases—Placing the Recent Scrutiny in Context and Determining if It Will Continue*, 20 DEPAUL J. ART TECH. & INTELL. PROP. L. 227, 227 (2010); *see* BURK & LEMLEY, *supra* note 10, at 18 ("In the early years of the twenty-first century, the Supreme Court appeared to be accepting a somewhat larger number of patent cases, perhaps in recognition of the growing importance of this area of law.").

23. *See* Robert J. Goldman, *Evolution of the Inequitable Conduct Defense in Patent Litigation*, 7 HARV. J.L. & TECH. 37, 37 (1993) (commenting on "the mismatched resources of perennially over-taxed patent examiners confronted with 'the antlike persistency of patent solicitors'" (quoting Lyon v. Boh, 1 F.2d 48, 50 (S.D.N.Y. 1924) (Hand, J.), *rev'd*, 10 F.2d 30 (2d Cir. 1925)).

24. *See* United States v. Am. Bell Tel. Co., 128 U.S. 315, 370 (1888) (asserting that granting a patent takes immense value from the public and gives it to the patentee); *see also* Simon H. Rifkind, *The Romance Discoverable in Patent Cases*, 16 F.R.D. 253, 255

patent is a real problem with serious repercussions to competitors, the industry, and the economy at large.[25] Moreover, catching fraud or other forms of cheating in the patent process is unlikely given the practical limits of the U.S. Patent and Trademark Office ("Patent Office").[26] For these reasons, the Supreme Court instituted the doctrine of inequitable conduct to address fraud or other unethical conduct in the patent process.[27] In the three cases decided between 1933 and 1945,[28] the Court established inequitable conduct as a patent law remedy grounded in the equitable doctrine of unclean hands.[29]

The unclean-hands doctrine was well-settled by the twentieth century, when the Supreme Court introduced the defense into patent law.[30] The maxim "he [or she] who comes into equity must come

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(1955) ("Patent suits are fought for money and for the power to make money . . . and the prize is sometimes very large indeed . . . .").

25. *See* Mack, *supra* note 19, at 147 (contending that the "integrity of the patent system and society suffer" due to inequitable conduct in the patent process because "investors rely on 'bad' patents as enforceable economic devices, and the public remunerates royalties to illegitimate patent holders"); *see also* Goldman, *supra* note 23, at 37 ("The value of what the public receives in return for this right is based in large part upon the assumption that the inventor has dealt honestly with the Patent and Trademark Office.").

26. MARTIN J. ADELMAN ET AL., CASES AND MATERIALS ON PATENT LAW 735 (1998) (contending that examiners are not necessarily experts in their field and the workload of the Patent Office is such that searches by patent examiners are often not extensive); Brian J. Love, *Interring the Pioneer Invention Doctrine*, 90 N.C. L. REV. 379, 427 n.213 (2012) (noting that at the end of 2009, only 6,000 patent examiners were employed to purge a backlog of over 700,000 patent applications); Mack, *supra* note 19, at 148 (detailing the "[b]udgetary constraints, rapidly evolving fields of technology, and information asymmetries between patent applicants and patent examiners"); *see also Lyon*, 1 F.2d at 50. Disciplinary proceedings are available for dishonesty, deceit, fraud, and misrepresentation but prove difficult to effectuate in practice. *See* Mack, *supra* note 19, at 165 & nn.128–29 (citing 37 C.F.R. §§ 10.23(b)(4), 10.132, 10.149 (2005)). In 1988, the Patent Office ceased investigating and rejecting applications for violations of the duty of disclosure. *See id.* at 174 (noting that the Patent Office has had the power to reject applications for inequitable conduct or fraud since 1982).

27. *See* Sean M. O'Connor, *Defusing the "Atomic Bomb" of Patent Litigation: Avoiding and Defending Against Allegations of Inequitable Conduct After* McKesson et al., 9 J. MARSHALL REV. INTELL. PROP. L. 330, 332–33, 338, 378–79 (2009) (explaining that the 1952 Patent Act increased the patent requirements and provided for a more robust, if not ideal, Patent Office relative to the early twentieth century).

28. Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806 (1945); Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238 (1944); Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240 (1933).

29. *See* Consol. Aluminum Corp. v. Foseco Int'l Ltd., 910 F.2d 804, 812 (Fed. Cir. 1990) ("Indeed, what we have termed 'inequitable conduct' is no more than the unclean hands doctrine applied to particular conduct before the PTO."); Demaco Corp. v. F. Von Langsdorff Licensing Ltd., 851 F.2d 1387, 1394–95 (Fed. Cir. 1988).

30. *See Precision*, 324 U.S. at 814 (explaining that the clean hands doctrine is "far more than a mere banality"); Olmstead v. United States, 277 U.S. 438, 483 (1928) (Brandeis, J., dissenting) (stating the unclean-hands defense "has long been settled"). The United States Supreme Court accepted the doctrine shortly after its

with clean hands" developed to "protect the court against the odium that would follow its interference to enable a party to profit by his own wrong-doing."[31] Because of its universal application to all requests for equitable relief, renowned equity scholar John Norton Pomeroy described the principle as "one of the elementary and fundamental conceptions of equity jurisprudence."[32]

A. Unclean Hands and the Supreme Court

The Supreme Court did not deviate from the remedial and equitable character of unclean hands in preventing inequitable conduct during patent prosecution. Consistent with its approach to equitable remedies and unclean hands outside the patent field, the Court resorted to history when analyzing the defense.

1. Equity decisions

The Supreme Court followed the historical approach across a broad spectrum of federal-equity decisions.[33] In statutory cases, the Supreme Court employed a rule of construction that presumes the existence and exercise of federal-court power that is consistent with its traditional equitable authority.[34] In its still widely cited opinion, *Hecht Co. v. Bowles*,[35] the Court explained that it must examine the "requirements of equity practice with a background of several

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recognition in the leading English case of *Dering v. Winchelsea*, (1787) 29 Eng. Rep. 1184. *See generally* ZECHARIAH CHAFEE, JR., SOME PROBLEMS OF EQUITY 5 (1950) (noting the defense "is exactly as old as the U.S. Constitution"). The idea of unclean hands originated in a treatise authored by Sir Richard Francis. *See* RICHARD FRANCIS, MAXIMS OF EQUITY (London, Bernard Lintot 1728). Scholars have traced its genesis to Chinese customary law and Roman law before the time of Justinian. *See* RALPH A. NEWMAN, EQUITY AND LAW: A COMPARATIVE STUDY 250 & n.19 (1961).

31. HENRY L. MCCLINTOCK, HANDBOOK OF THE PRINCIPLES OF EQUITY § 26 (2d ed. 1948).

32. 1 JOHN NORTON POMEROY, A TREATISE ON EQUITY JURISPRUDENCE § 398, at 92 (Spencer W. Symons ed., 5th ed. 1941). Harold Greville Hanbury said that "[t]here is no clearer maxim of equity than '[h]e who comes to equity must come with clean hands.'" HAROLD GREVILLE HANBURY, MODERN EQUITY 4 (1935). The quote continues "this is true of equity at all periods." *Id.* Modern decisions similarly describe unclean hands as a "cardinal maxim," Banks v. Rockwell Int'l N.A. Aircraft Operations, 855 F.2d 324, 327 (6th Cir. 1988), or an equitable tenet, McNeill Family Trust v. Centura Bank, 60 P.3d 1277, 1284 (Wyo. 2003).

33. History has been a guide to ascertaining the existence, as well as the exercise, of the Court's equity powers. *See* Atlas Life Ins. Co. v. W.I.S., Inc., 306 U.S. 563, 568 (1939) (indicating that federal courts have "authority to administer in equity suits the principles of the system of judicial remedies" inherited from "the English Court of Chancery at the time of the separation"). The Supreme Court has used history as a mode of interpretation for ascertaining equity and equity-based theories in deciding cases arising under the Constitution, legislation, and the common law. *See* RENDLEMAN, *supra* note 12, at 146–60.

34. RENDLEMAN, *supra* note 12, at 152 (discussing statutory discretion).

35. 321 U.S. 321 (1944).

hundred years of history."[36] The Supreme Court's decision in *eBay*, which involved patent remedies, confirmed that history must be considered in reaching a decision implicating equitable doctrines.[37]

2. Unclean-hands decisions

The Supreme Court has found evidence of the history of unclean hands in court practice and corresponding theoretical materials. Its opinions in both *Pope Manufacturing Co. v. Gormully*[38] and *Haffner v. Dobrinski*[39] discussed unclean hands as a condition of equitable intervention and the discretion to refuse aid "from time immemorial."[40] The Court's decisions also consider precedent associated with unclean hands outside the field of law at issue in the case.[41] Its unclean-hands cases similarly cited historical sources, including the treatise authored by Sir Richard Francis credited with the idea of the maxim;[42] the original English case to recognize unclean hands, *Dering v. Winchelsea*;[43] and the seminal treatises on equity jurisprudence written by John Pomeroy and Joseph Story.[44]

3. Inequitable-conduct decisions

The Supreme Court's patent law decisions that give rise to the doctrine of inequitable conduct are especially illuminating for their use of history in assessing equity and unclean hands. The Court's opinion in *Keystone Driller Co. v. General Excavator Co.*,[45] attributed with creating the doctrine of inequitable conduct, relied on Pomeroy and Story.[46] The Court's next decision, *Hazel-Atlas Glass Co. v. Hartford-*

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36. *Id.* at 328–29 (adopting the clear-statement rule of construction during the same time that it invoked the doctrine of unclean hands to prevent inequitable conduct in procuring a patent).

37. *See* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006).

38. 144 U.S. 224 (1892) (contract prohibiting the sale of other patented parts).

39. 215 U.S. 446 (1910).

40. *Pope*, 144 U.S. at 236–37.

41. Bein v. Heath, 47 U.S. (6 How.) 228 (1848) (cited by Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 245 (1933); Kitchen v. Rayburn, 86 U.S. (19 Wall.) 254, 263 (1873)).

42. *See, e.g.*, R.R. Co. v. Soutter, 80 U.S. (13 Wall.) 517, 523–24 (1871) ("'He that hath committed iniquity shall not have equity.'" (quoting Francis, *supra* note 41, at 7)).

43. (1787) 29 Eng. Rep. 1184.

44. *See, e.g.*, Simmons v. Burlington, Cedar Rapids & N. Ry. Co., 159 U.S. 278, 291 (1895) (citing 2 JOHN NORTON POMEROY, A TREATISE ON EQUITY JURISPRUDENCE § 816, at 1136 (San Francisco, Bancroft-Whitney Co., 2d ed. 1892)) (justifying its decision on the ground of unclean hands).

45. 290 U.S. 240 (1933).

46. *Id.* at 244–45 (quoting 1 JOHN NORTON POMEROY, A TREATISE ON EQUITY JURISPRUDENCE § 397 (4th ed. 1918); 1 JOSEPH STORY, COMMENTARIES ON EQUITY JURISPRUDENCE § 98 (W.H. Lyon Jr. ed., 14th ed. 1918) (explaining the relationship between clean hands and standing in matters of equity).

Empire Co.,[47] declared that the case "demand[ed] the exercise of the historic power of equity to set aside fraudulently begotten judgments."[48] In its last word on inequitable conduct, the Supreme Court in *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*[49] continued to depend on Pomeroy to explain its decision.[50]

The Court's early inequitable-conduct decisions did not confine their search for doctrine to patent law.[51] On the contrary, the Court found authoritative opinions invoking unclean hands across a variety of fields.[52] Consequently, the Supreme Court located inequitable conduct within a thick lay of equity and unclean hands.[53]

But the Supreme Court has not addressed inequitable conduct since 1945, and, without guidance, the Federal Circuit has struggled with the remedy.[54] Since its inception in 1982, the Federal Circuit has paid little attention to the doctrine's equitable tradition.[55] Hence, while Supreme Court equity jurisprudence still uses tradition

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47. 322 U.S. 238 (1944).

48. *Id.* at 245.

49. 324 U.S. 806 (1945).

50. *Id.* at 814–15 ("[I]t does require that they shall have acted fairly and without fraud or deceit as to the controversy in issue." (citing 2 POMEROY, *supra* note 44, §§ 397–399, at 90–100)); *see also* Chafee I, *supra* note 11, at 878 (stating that *Precision* was one of four cases decided after Pearl Harbor where the maxim was a "bone of bitter controversy" in the Supreme Court).

51. In an effort to balance absolute property rights with competition policy, the Supreme Court initially applied unclean hands to defeat patent infringement litigation where the patentee had misused the patent. *See, e.g.*, U.S. Gypsum Co. v. Nat'l Gypsum Co., 352 U.S. 457, 465 (1957). The patent misuse defense dealt with a patentee's conduct after acquiring the patent. Only later would the Court extend the doctrine of unclean hands to conduct ex ante to the patent.

52. *See, e.g.*, *Precision*, 324 U.S. at 814–15 (citing Johnson v. Yellow Cab Transit Co., 321 U.S. 383, 387 (1944), which concerned a proceeding for the return of the liquors seized by state officials); Loughran v. Loughran, 292 U.S. 216, 229 (1934) (proceeding for dower/alimony for land); Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 247 (1933) (citing cases as diverse as Deweese v. Reinhard, 165 U.S. 386, 390 (1897), which applied the general principle to a land claim; Carrington v. Pratt, 59 U.S. (18 How.) 63 (1855), which applied the "admiralty rule" of contracts; and Bein v. Heath, 47 U.S. (6 How.) 228 (1848), which applied the general principle in a contract case); *see also Hazel-Atlas*, 322 U.S. at 270 n.21 (Roberts, J., dissenting) (relying on Creath's Adm'r. v. Sims, 46 U.S. (5 How.) 192 (1848), which applied unclean hands in a contract case).

53. *See Gypsum*, 352 U.S. at 457 ("The rule is an extension of the equitable doctrine of 'unclean hands' to the patent field.").

54. The Supreme Court decided two cases relating to the patent process after *Precision*. *See* Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 175–76 (1965) (allowing a private cause of action under antitrust laws against patentee who fraudulently procured a patent); Kingsland v. Dorsey, 338 U.S. 318, 319–29 (1949) (per curiam) (regarding the disbarment of attorneys from Patent Office practice who had helped fraudulently procure the patents at issue in *Hazel-Atlas*, in which the Court held the Patent Office, not the court, to be the exclusive administrator of regulations and sanctions of attorneys).

55. *See infra* Part III.A.

as a principle to interpret equitable remedies and defenses,[56] the equitable basis for inequitable conduct has been lost in translation.

B. Inequitable Conduct in the Federal Circuit

Prior to *Therasense*, inequitable-conduct involved a sliding-scale analysis of two elements: intent and materiality. The accused patent infringer had to show by clear and convincing evidence that "(1) an individual associated with the filing and prosecution of a patent application made an affirmative misrepresentation of a material fact, failed to disclose material information, or submitted false material information" to the Patent Office, and (2) "did so with the specific intent to deceive" the Patent Office.[57] The Federal Circuit originally followed the duty of good faith and candor found in Patent Office Rule 56[58] to determine whether information was material.[59] A violation of Rule 56 did not require a showing that the patent would not have been granted had the Patent Office been provided the correct information. Rather, a reasonable examiner standard was followed, under which information was only material if there was a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.[60] The Federal Circuit precedent also accepted that even inconsistent conduct could amount to a violation[61] and that intent

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56. There is a consistent line of precedent on federal equity power, ending in the Supreme Court's recent opinion in *Holland v. Florida*, which requires that courts resort to history when analyzing equitable issues in federal regulation. 130 S. Ct. 2549, 2563 (2010). The most recent Supreme Court case addressing the unclean-hands doctrine relied on the latest edition of Pomeroy in determining its scope within the context of legislation. *See* McKennon v. Nashville Banner Publ'g Co., 513 U.S. 352, 360 (1995) (rejecting the doctrine of unclean hands, as defined by Pomeroy, where Congress has authorized equitable relief to serve important national policies).

57. Exergen Corp. v. Wal-Mart Stores, Inc., 575 F.3d 1312, 1327 n.3 (Fed. Cir. 2009) (citing Star Scientific, Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357, 1365 (Fed. Cir. 2008)); *see also* Larson Mfg. Co. v. Aluminart Prods. Ltd., 559 F.3d 1317, 1344 (Fed. Cir. 2009) (Linn, J., concurring) (defending the standard set in *Star Scientific*).

58. 37 C.F.R. § 1.56 (2012).

59. *See Star Scientific*, 537 F.3d at 1368, 1371 (setting aside a ruling of inequitable conduct where the accuser did not meet its burden of establishing an intent to deceive); *see also* 37 C.F.R. § 1.56(a) (defining the good-faith standard as related to materiality in disclosures).

60. This version was endorsed by the Federal Circuit in 1984 as "an appropriate starting point," but the court also held that "[t]here is no reason . . . to be bound by any single standard" insofar as a finding of inequitable conduct requires a balancing of materiality and intent. Am. Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1363 (Fed. Cir. 1984), *abrogated by* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276 (Fed. Cir. 2011) (en banc).

61. The current version of Rule 56 sets forth a duty of candor and good faith in dealing with the Patent Office, "which includes a duty to disclose to the Office all

was satisfied by conduct tantamount to mere negligence.[62] Furthermore, some decisions also employed a sliding-scale approach: a higher level of materiality required a lower level of intent, and vice versa.[63]

In addition to issuing multiple rulings on the elements of inequitable conduct, the Federal Circuit magnified the effect of the doctrine. It held that a finding of inequitable conduct as to one patent claim required the categorical denial of all patent claims.[64] Unlike the early Supreme Court decisions, the Federal Circuit also declared that a judgment of inequitable conduct was conclusive in subsequent litigation with no opportunity to cure.[65] The resulting misuse and abuse of the inequitable-conduct defense has been characterized as a "monster,"[66] a "beast,"[67] a "patent-killing virus,"[68] a

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information known to that individual to be material to patentability as defined in this section." 37 C.F.R. § 1.56(a). Rule 56 also provides that information is material if it is not cumulative and "(1) [i]t establishes, by itself or in combination with other information, a prima facie case of unpatentability of a claim; or (2) [i]t refutes, or is inconsistent with, a petition the applicant takes in (i) [o]pposing an argument of unpatentability relied on by the [Patent] Office or (ii) [a]sserting an argument of patentability." *Id.* § 1.56(b).

62. *See, e.g.*, Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc., 326 F.3d 1226, 1239–40 (Fed. Cir. 2003) (employing a "should have known" standard); *see also* Larson Mfg. Co. of S.D., Inc. v. Aluminart Prods. Ltd., 559 F.3d 1317, 1340 (Fed. Cir. 2009) (providing that intent was established by direct evidence or inferred from indirect and circumstantial evidence); Stacy Lewis, et al., *A Panacea for Inequitable Conduct Problems or* Kingsdown *Version 2.0? The* Therasense *Decision and a Look into the Future of U.S. Patent Law Reform*, 16 VA. J.L. & TECH. 373, 377 (2011) (detailing the history of decisions from the 1990s "whittl[ing] away" at the gross negligence standard); Derek J. Brader, Comment, *Distilling a Rule for Inferring Intent to Deceive the Patent Office*, 83 TEMP. L. REV. 529, 539 (2011) (tracing the retreat since the 1990s).

63. *See, e.g.*, Dippin' Dots, Inc. v. Mosey, 476 F.3d 1337, 1345–46 (Fed. Cir. 2007) (employing the sliding-scale approach to allow an inference of deceptive intent in part because of the "especially problematic" omission of sales data from application to the Patent Office); *Am. Hoist*, 725 F.2d at 1362 (endorsing the use of sliding-scale analysis).

64. *See* Kingsdown Med. Consultants, Ltd. v. Hollister Inc., 863 F.2d 867, 874 (Fed. Cir. 1988) (en banc) (reaffirming a proposition from J.P. Stevens & Co. v. Lex Tex Ltd., 747 F.2d 1553, 1561 (Fed. Cir. 1984), that "when inequitable conduct occurs in relation to one claim the entire claim is unenforceable"); see also Cotter, *supra* note 6, at 738 (explaining that "a finding of inequitable conduct results in the unenforceability of all of the claims of the patent at issue and sometimes even related patents").

65. *See Therasense*, 649 F.3d at 1287 (noting that cases of inequitable conduct diverged from the doctrine of unclean hands by rendering entire patents unenforceable rather than merely resulting in a dismissal of the lawsuit). For a discussion of the America Invents Act of 2011 and its impact on the opportunity to cure, see Gideon Mark & T. Leigh Anenson, *Inequitable Conduct and* Walker Process *Claims After* Therasense *and the American Invents Act*, 15 U. PA. J. BUS. L. (forthcoming 2014).

66. *See* Alexis N. Simpson, Note, *The Monster in the Closet: Declawing the Inequitable Conduct Beast in the Attorney-Client Privilege Arena*, 25 GA. ST. U. L. REV. 735, 735 (2009) (analyzing the inconsistent rulings on attorney-client privilege in inequitable-conduct cases).

"ubiquitous weed,"[69] an "atomic bomb,"[70] and a "plague."[71] Before the Federal Circuit agreed to rehear and decide inequitable conduct en banc, this supposed "scourge"[72] of patent law had judges, practitioners, and academics alike calling for its reform.[73]

The Federal Circuit's en banc decision in *Therasense* was its second attempt in twenty years to define the defense. Its initial attempt, *Kingsdown Medical Consultants, Ltd. v. Hollister Inc.*,[74] was considered a failure.[75] After that decision, the Supreme Court reversed the Federal Circuit for not considering the traditional conditions for an equitable injunction.[76] Therefore, in its order to rehear *Therasense* en banc, the Federal Circuit requested research to re-establish an

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67. *Id.*

68. *"But For" Materiality Standard is Endorsed at Hearing on Disclosure Rules Revision*, 38 PAT. TRADEMARK & COPYRIGHT J. (BNA), June 29, 1989, at 242, 243 (presenting the statement of Donald W. Banner, on behalf of the Intellectual Property Owners Inc., regarding the Federal Circuit's interpretation of Rule 56).

69. Randall R. Rader, *Always at the Margin: Inequitable Conduct in Flux*, 59 AM. U. L. REV. 777, 781 (2010) (explaining that inequitable conduct "grew from a tiny bush on the patent landscape that inhibited gross fraud into a ubiquitous weed that infects every prosecution and litigation involving patents").

70. Aventis Pharma S.A. v. Amphastar Pharm., Inc., 525 F.3d 1334, 1349 (Fed. Cir. 2008) (Rader, J., dissenting) (characterizing the threat of inequitable conduct as an "'atomic bomb' remedy of unenforceability").

71. *See, e.g.*, Dickson Indus., Inc. v. Patent Enforcement Team, L.L.C., 333 F. App'x 514, 519 (Fed. Cir. 2009) ("This court has long recognized that 'the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.'" (quoting Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988))); McKesson Info. Solutions, Inc. v. Bridge Med. Inc., 487 F.3d 897, 926 (Fed. Cir. 2007) (Newman, J., dissenting) (referring to the unfortunate "return[] to the 'plague'" of inequitable conduct).

72. Ferring B.V. v. Barr Labs., Inc., 437 F.3d 1181, 1195 (Fed. Cir. 2006) (Newman, J., dissenting) ("The defense was so misused by alleged infringers that the Federal Circuit once called this defense a 'scourge' on U.S. patent litigation." (quoting Michael D. Kaminski, *Effective Management of U.S. Patent Litigation*, INTELL. PROP. & TECH. L.J., Jan. 2006, at 13, 24)).

73. *See, e.g.*, Christian E. Mammen, *Controlling the "Plague": Reforming the Doctrine of Inequitable Conduct*, 24 BERKELEY TECH L.J. 1329, 1330 (2009) (advocating four separate reforms to the doctrine of inequitable conduct); Rader, *supra* note 69, at 778 (exploring the history of the doctrine of inequitable conduct); Note, *Can Intellectual Property Law Regulate Behavior? A "Modest Proposal" for Weakening Unclean Hands*, 113 HARV. L. REV. 1503, 1505–06 (2000) (seeking to use the doctrine of unclean hands to overturn ill-gotten copyrights).

74. 863 F.2d 867 (Fed. Cir. 1988) (en banc). Congress created the Federal Circuit in 1982 to clarify and unify the law. *See* S. Rep. No. 97-275, at 21 (1981); Paul R. Michel, *The Challenge Ahead: Increasing Predictability in Federal Circuit Jurisprudence for the New Century*, 43 AM. U. L. REV. 1231, 1231 n.1 (1994).

75. *See* Rader, *supra* note 69, at 784 (lamenting that, although the decision tried to narrowly define inequitable conduct, "*Kingsdown* may have retracted the margins of the doctrine only temporarily, as many of the more recent cases have shown that it did not achieve its objective" because those cases reopen the door for broad claims).

76. *See* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006) ("As this Court has long recognized, 'a major departure from the long tradition of equity practice should not be lightly implied.'" (quoting Weinberger v. Romero-Barcelo, 456 U.S. 305, 320 (1982))).

equitable foundation for inequitable conduct.[77] Notwithstanding the court's en banc order, the majority decision redirected the remedial doctrine from its equitable roots.[78]

C. Therasense

Therasense, Inc. owned U.S. Patent No. 5,820,551 ("the '551 patent"), which "involve[d] disposable blood-glucose test strips for diabetes management."[79] Therasense prosecuted the original patent application for more than thirteen years, beginning in 1984, during which time it was repeatedly rejected over U.S. Patent No. 4,454,382 ("the '382 patent"), also owned by Therasense.[80] The examiner finally issued the '551 patent following amendment of the claim.[81] In March 2004, Therasense sued several defendants, including Becton, Dickinson & Company, alleging infringement of the '551 patent.[82] After a bench trial, the federal district court held, inter alia, that the '551 patent was unenforceable due to inequitable conduct because Therasense did not disclose to the Patent Office allegedly inconsistent statements that had previously been made to the European Patent Office regarding the European counterpart to the '382 patent.[83]

Therasense appealed to the Federal Circuit, where a three-judge panel affirmed the district court's holding of unenforceability.[84] Therasense then successfully petitioned for rehearing en banc.[85] Eleven judges participated in the en banc decision, with four dissenting votes and one concurrence.[86] The majority opinion vacated the judgment and remanded for further proceedings, specifically highlighting four key points.[87]

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77. Therasense, Inc. v. Becton, Dickinson & Co., 374 F. App'x 35, 35–36 (Fed. Cir. 2010) (per curiam), *granting reh'g en banc to* 649 F.3d 1276 (Fed. Cir. 2011).

78. *Therasense*, 649 F.3d at 1290 ("This court now tightens the standards for finding both intent and materiality in order to redirect a doctrine that has been overused to the detriment of the public.").

79. *Id.* at 1282.

80. *Id.* at 1283.

81. The '511 patent finally overcame the prior art of the '382 patent and was issued after new claims were presented to the examiner "based on a new sensor that did not require a protective membrane for whole blood." *Id.*

82. *Id.* at 1284.

83. *Id.* at 1285.

84. Therasense, Inc. v. Becton, Dickinson, & Co., 593 F.3d 1289 (Fed. Cir. 2010), *vacated*, 649 F.3d 1276.

85. Therasense, Inc. v. Becton, Dickinson, & Co., 374 F. App'x 35 (Fed. Cir. 2010) (per curiam), *granting reh'g en banc to* 649 F.3d 1276.

86. *Therasense*, 649 F.3d at 1282.

87. *Id.* at 1297.

First, to prevail on its inequitable-conduct defense, an "accused infringer must prove that the patentee acted with the specific intent to deceive the [Patent Office]."[88] The specific intent must be "the single most reasonable inference able to be drawn from the evidence."[89] The intent requirement is not satisfied by a finding that a misrepresentation or omission constitutes negligence or even gross negligence.[90] Second, as a general rule, the materiality required to establish inequitable conduct is "but-for" materiality.[91] In a case involving undisclosed prior art, but-for materiality exists only if the Patent Office would not have allowed a claim had it been aware of the undisclosed prior art.[92] This but-for standard set a higher bar for establishing materiality than the Patent Office's own definition under Rule 56.[93] Third, there is an exception to but-for materiality in cases of affirmative, egregious misconduct, such as the filing of an unmistakably false affidavit.[94] In these cases, the misconduct is material regardless of the effect the misconduct had on the Patent Office.[95] Fourth, intent and materiality are distinct requirements, and district courts should not use a sliding scale to determine the existence of inequitable conduct.[96] Instead, courts should assess the evidence of materiality independent of their analysis of intent.[97]

The majority claimed that its new definition of inequitable conduct was consonant with the principle of equity and, further, that change was necessary in practice.[98] The remainder of this Article analyzes the majority's reasons for reinterpreting inequitable conduct.

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88. *Id.* at 1290.

89. *Id.* (quoting Star Scientific, Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357, 1366 (Fed. Cir. 2008)) (internal quotation marks omitted); *accord* Aventis Pharma S.A. v. Hospira, Inc., 675 F.3d 1324, 1335 (Fed. Cir. 2012) (affirming a finding of intent to deceive using the "single most reasonable inference" standard).

90. *Therasense*, 649 F.3d at 1290.

91. *Id.* at 1291; *accord Aventis Pharma*, 675 F.3d at 1334.

92. *Therasense*, 649 F.3d at 1291.

93. *Id.* at 1294 ("This court declines to adopt the current version of Rule 56 in defining inequitable conduct because reliance on this standard has resulted in the very problems this court sought to address by taking this case en banc." (citing 37 C.F.R. § 1.56 (1992))).

94. *Id.* at 1292.

95. *Id.* at 1292–93 (construing behavior such as filing an "unmistakably false affidavit," or intentionally omitting relevant relationships with investors as egregious misconduct).

96. *Id.* at 1290; *accord Aventis Pharma*, 675 F.3d at 1334 (invoking *Therasense*'s rejection of the sliding-scale approach).

97. *Therasense*, 649 F.3d at 1290.

98. *See id.* at 1293–94. Invoking tradition while simultaneously instituting a major course change is not unusual in federal jurisprudence. Gergen et al., *supra* note 16, at 207 (citing eBay Inc. v. MercExchange, L.L.C, 547 U.S. 388 (2006); Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc., 467 U.S. 837 (1984)); *see* Kristin A. Collins, *"A Considerable Surgical Operation": Article III, Equity, and Judge-Made Law in the*

II. EQUITY'S REGRESS: THE PRINCIPLE OF UNCLEAN HANDS

To better understand *Therasense* and its radical departure from Supreme Court jurisprudence and settled principles of equity, this Section roots the defense in the ancient principle of unclean hands. After discussing the discretionary definition of the doctrine of unclean hands, it analyzes how the "unclean" conduct and "connection to the litigation" components of the defense correspond to the new intent and materiality elements of inequitable conduct, as well as the defense's significance to patent jurisprudence.

A. Discretionary Definition

Contrary to the tradition of unclean hands, the Federal Circuit removed district courts' discretion to define inequitable conduct by restricting the two elements of the defense to deceptive intent and patentability.[99] The *Therasense* majority claimed that its factual definition of inequitable conduct finds support in Supreme Court decisions limiting the discretion of lower courts by establishing "rules and tests" for equitable remedies and defenses.[100] In particular, the majority relied on the equitable defense of laches to support the fact that inequitable conduct should have strict elements.[101] The doctrine of unclean hands has its own elements, which, not surprisingly, correspond with inequitable-conduct law.[102] As such, unlike the majority opinion, the Supreme Court decisions on unclean hands provide the trial court with authority to ascertain and apply the elements of the defense.[103]

Federal Courts, 60 DUKE L.J. 249, 338 (2010) (citing Guaranty Trust Co. v. York, 326 U.S. 99 (1945)).

99. *Therasense*, 649 F.3d at 1293.

100. *Id.*

101. *Id.* Laches is also a general equitable defense. Like unclean hands, the Supreme Court was clear to keep the elements of laches open rather than closed because equity "depends on flexibility," not "mechanical rules." Holmberg v. Armbrecht, 327 U.S. 392, 396 (1946). Laches also depends in part on "unreasonableness," rather than intent.

102. *See infra* Part II.B–C. The intent element of inequitable conduct corresponds to the unclean conduct component of unclean hands. The materiality element of inequitable conduct means that the unclean conduct has a connection to the transaction.

103. State and federal courts share the view that there are no rules to measure conduct constituting unclean hands. *See, e.g.*, Shell Oil Co. v. McKnight, 204 F. Supp. 159 (E.D. Tex. 1961) ("[C]onduct must be measured by standards exacting the utmost fidelity between the parties . . . ."), *aff'd*, 302 F.2d 731 (5th Cir. 1962) (per curiam); Green v. Higgins, 535 P.2d 446, 449 (Kan. 1975) ("Like other doctrines of equity, the clean hands maxim is not a binding rule, but is to be applied in the sound discretion of the court.").

The Supreme Court announced in *Johnson v. Yellow Cab Transit Co.*[104] that the doctrine of unclean hands "is not a rigid formula which trammels the free and just exercise of discretion," but is applied "upon consideration that make for the advancement of right and justice."[105] The Court's early unclean-hands decisions in patent law followed this view. Its first inequitable-conduct opinion, *Keystone*, warned against technical adherence to any formula.[106] The Court declared that the judge is "'not bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion.'"[107] In *Hazel-Atlas*, the Court explained unclean hands as a part of equitable relief that is "always characterized by flexibility which enables it to meet new situations which demand equitable intervention, and to accord all the relief necessary to correct the particular injustices involved in these situations."[108] The last time the Court addressed inequitable conduct, in *Precision*, it expounded that unclean hands "necessarily gives wide range to the equity court's use of discretion in refusing to aid the unclean litigant."[109] Accordingly, contrary to the majority's reinterpretation of inequitable conduct, the Supreme Court did not attempt a precise definition of unclean hands. Rather, it left the elements of the defense flexible to accord the lower courts discretion.[110]

A leading international treatise on equity explains, "the phrase unclean hands will be of sufficiently imprecise import to permit application of the maxim to be tailored in each case very much in personam."[111] For this reason, courts often define the maxim in the form of a tautology by equating unclean hands with equitable

104. 321 U.S. 383 (1944).

105. *Id.* at 387 (quoting Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 244–46 (1933)) (internal quotation marks omitted).

106. *Keystone*, 290 U.S. at 245; *see also* DeCecco v. Beach, 381 A.2d 543, 546 (Conn. 1977) (explaining that the clean hands maxim applies in the trial court's discretion and "is not one of absolutes").

107. Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 815 (1945) (quoting *Keystone*, 290 U.S. at 246). Before the advent of the Federal Circuit, lower courts followed the Supreme Court's lead and recognized the traditional understanding of unclean hands. *See, e.g.*, Monsanto Co. v. Rohm & Haas Co., 456 F.2d 592, 597 (3d Cir. 1972) (declaring that inequitable conduct in patent infringement cases "admits to no fixed parameters and promulgates no specific dogma"); *see also* O'Connor, *supra* note 27, at 333 (describing the original inequitable-conduct cases as ad hoc decisions that defy any attempt to create uniform standards).

108. Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 248 (1944).

109. *Precision*, 324 U.S. 806, 815 (1945).

110. *See id.* at 814–15 (describing the historical purpose of the maxim).

111. R.P. MEAGHER ET AL., MEAGHER, GUMMOW AND LEHANE'S EQUITY: DOCTRINES AND REMEDIES 451 (2002). *See generally* Laycock, *supra* note 12 (asserting that equitable defenses have no precise meaning).

intervention.[112] The range of misbehaviors associated with the defense vary widely in terms of knowledge,[113] harm,[114] foreseeability,[115] admission of wrongdoing,[116] effectiveness of lesser sanctions,[117] nature of the relationship,[118] role of the client as opposed to counsel,[119] and public interests.[120] The discretionary

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112. *See* Merck & Co. v. SmithKline Beecham Pharm. Co., C.A. No. 15443-NC, 1999 WL 669354, at *51 (Del Ch. Aug. 5, 1999) (defining the inquiry as whether the party had "'transgressed equitable standards of conduct' in a way that might justify application of the unclean hands doctrine" (quoting *Precision*, 324 U.S. at 815), *aff'd mem.*, 746 A.2d 277 (Del. 2000), *and aff'd*, 766 A.2d 442 (Del. 2000); Bellware v. Wolffis, 397 N.W.2d 861, 864 (Mich. Ct. App. 1986) (per curiam) ("Any wilful act regarding cause of action which transgresses equitable standards of conduct is sufficient cause for the intervention of the clean hands doctrine.").

113. *See, e.g.*, Bartlett v. Dunne, No. C.A. 89-3051, 1989 WL 1110258, at *3 (R.I. Super. Ct. Nov. 10, 1989) ("Plaintiff's deception is willful and it strikes at the very heart of the judiciary.").

114. *See, e.g.*, Gaudiosi v. Mellon, 269 F.2d 873, 882 (3d Cir. 1959) ("The doctrine [of unclean hands] is confessedly derived from the unwillingness of a court, originally and still nominally one of conscience, to give its peculiar relief to a suitor who in the very controversy has so conducted himself as to shock the moral sensibilities of the judge. It has nothing to do with the rights or liabilities of the parties; indeed the defendant who invokes it need not be damaged, and the court may even raise it sua sponte." (alteration in original) (emphasis omitted) (quoting Art Metal Works v. Abraham & Straus, 70 F.2d 641, 646 (2d Cir. 1934) (Hand, J., dissenting))).

115. *See* Maldonado v. Ford Motor Co., 719 N.W.2d 809, 821–22 (Mich. 2006) (holding that a substantial likelihood of harm to the case is sufficient to invoke unclean hands and dismiss case). A pattern of misbehavior by the litigant could also help establish the requisite foreseeability of harm to the court system. *See* Pierce v. Heritage Props., Inc., 688 So. 2d 1385, 1390 (Miss. 1997) (noting that the intentional nature, as well as the pattern of the plaintiff's conduct, which included deliberately providing false responses in three discovery mechanisms, should be considered in its dismissal decision).

116. *See, e.g.*, Smith v. Cessna Aircraft Co., 124 F.R.D. 103, 107–08 (D. Md. 1989) (describing plaintiff's admission of perjury).

117. *See, e.g.*, *Bartlett*, 1989 WL 1110258, at *3 (noting the alternative sanction of contempt available to address a party's unclean hands).

118. A breach of fiduciary duties, for example, can constitute unclean hands. *See, e.g.*, Ross v. Moyer, 286 A.D.2d 610 (N.Y. App. Div. 2001); Jackson Law Office, P.C. v. Chappell, 37 S.W.3d 15 (Tex. Ct. App. 2000).

119. *See Maldonado*, 719 N.W.2d at 823 (considering the Supreme Court's comment in Gentile v. State Bar of Nev., 501 U.S. 1030, 1074 (1991), that attorneys are key participants in the justice system, and, therefore, the state can demand adherence to the precepts of the system in regulating their conduct); Jonathan M. Stern, *Untangling a Tangled Web Without Trial: Using the Court's Inherent Powers and Rules to Deny a Perjuring Litigant His Day in Court*, 66 J. AIR L. & COM. 1251, 1289 (2001) ("The courts are less willing to punish with default or dismissal when the lawyers, not the client, are responsible for the misconduct."); *see also* Rose v. Nat'l Auction Grp., Inc., 646 N.W.2d 455, 467 (Mich. 2002) (applying unclean hands despite reliance on an expert since the conduct "violate[d] basic ethical norms").

120. *See, e.g.*, Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488, 492 (1942) ("[C]ourts of equity[] may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest."), *abrogated on other grounds by* Ill. Tool Works Inc. v. Indep. Ink, Inc., 547 U.S. 28 (2006) (concluding that a per se presumption of illegality for tying arrangements of patented products was no longer applicable given recent congressional amendments).

nature of the decision recognizes these varied phenomena.[121] Moreover, when a patentee is seeking to enforce a right in equity (rather than rescind it), courts give the doctrine of unclean hands its fullest expression.[122]

While equitable doctrines have never been cast in stone or made off-limits to appellate correction,[123] their resolution requires a hard look at past practices and principles.[124] Because the majority in *Therasense* omitted an equitable inquiry in its decision, the next section examines the new elements of inequitable conduct from its heritage in equity and unclean hands to aid its correct interpretation and application.

B. Conduct Component (Intent)

The Federal Circuit in *Therasense* departed from the history of unclean hands by elevating inequitable conduct to require a specific intent to deceive.[125] The alleged infringer must now prove that the

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121. *See, e.g.*, Kent Greenawalt, *Discretion and Judicial Decision: The Elusive Quest for the Fetters that Bind Judges*, 75 COLUM. L. REV. 359, 380 (1975) (discussing "[t]he obvious inappropriateness of denying discretion when a decision maker must choose among an almost infinite number of alternatives on bases that are complex and yield uncertain conclusions"); Maurice Rosenberg, *Judicial Discretion of the Trial Court, Viewed from Above*, 22 SYRACUSE L. REV. 635, 662 (1971) ("Many questions that arise in litigation are not amenable to regulation by rule because they involve multifarious, fleeting, special, narrow facts that utterly resist generalization . . . .").

122. *See* 2 POMEROY, *supra* note 32, § 400, at 100–02 (discussing unclean hands as a condition of specific performance); *see also* EDMUND H. T. SNELL, THE PRINCIPLES OF EQUITY 531 (H. Gibson Rivington & A. Clifford Fountaine, eds., 18th ed. 1920) (listing conduct that is tricky or unfair even if no fraud or misrepresentation sufficient to justify rescission as grounds to deny specific performance). Because a patent grants the right to exclude others from making, using, selling, or importing the patented invention into the United States, the inventor in a patent-infringement action typically seeks an injunction. The injunction, in effect, orders specific performance since the performance due under the law is forbearance. *See* RESTATEMENT (SECOND) OF CONTRACTS § 357(2) (1981).

123. *See generally* Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found., 402 U.S. 313 (1971) (abrogating the mutuality requirement of collateral estoppel).

124. *See* discussion *supra* Part I.A. Analyzing equitable theories of law that are informed by past customary practices and principles, as well as future consequences of the decision, provides an opportunity to explore the theory of judicial decision making, especially when these different and incommensurable modes of reasoning suggest alternative outcomes. *See* SELECTED ESSAYS ON EQUITY, at xii (Edward D. Re ed., 1955) (advising that no other subject "offers as rich an opportunity to delve into problems of jurisprudence and the philosophy of law as does equity"). *See generally* T. Leigh Anenson, *From Theory to Practice: Analyzing Equitable Estoppel Under a Pluralistic Model of Law*, 11 LEWIS & CLARK L. REV. 633 (2007) [hereinafter Anenson, *From Theory to Practice*] (analyzing tradition, precedent, and policy as methods of interpreting the equitable defense of estoppel).

125. *Compare* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1290 (Fed. Cir. 2011) (en banc), *abrogating* Driscoll v. Cebalo, 731 F.2d 878 (Fed. Cir. 1984), *with* Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc., 707 F.2d 1376 (Fed. Cir. 1983)). The Federal Circuit's ruling on the element of intent was unanimous.

applicant "knew of the reference, knew that it was material, and made a deliberate decision to withhold it."[126] The majority reasoned that the "requirement of knowledge and deliberate action had its origins in the trio of Supreme Court cases that set in motion the development of the inequitable conduct doctrine."[127]

Like many cases, the Supreme Court's early patent decisions demonstrate that one of the circumstances that may satisfy unclean hands is a specific intent to deceive.[128] But the Court has never made this a requirement. To the contrary, its inequitable-conduct decisions twice referenced Pomeroy, who describes the doctrine of unclean hands as "a universal rule guiding and regulating the action of equity courts in their interposition on behalf of suitors for any and every purpose, and in their administration of any and every species of relief."[129] Because historic equity acted on "conscience,"[130] the Court apparently understood that unclean hands included all grounds for equity jurisdiction, including innocent misrepresentation.[131] The Supreme Court's patent opinions took account of actions as well.[132] Therefore, the Court's articulation and application of unclean hands fits the defense's traditional formulation.

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126. *Therasene*, 649 F.3d at 1290 (stating that intent must be proven by "clear and convincing evidence").

127. *Id.*

128. *See* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806 (1945) ("[W]hile equity does not demand that its suitors shall have led blameless lives as to other matters, it does require that they shall have acted fairly and without fraud or deceit as to the controversy in issue." (citation omitted) (internal quotation marks omitted)); Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 250 (1944) (vacating a patent to protect the public because it was obtained by fraud); Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 244–45 (1933) (holding that equitable relief is unavailable to patent holders that acted fraudulently or not in good faith).

129. 1 POMEROY, *supra* note 46, § 397, at 737; *see Precision*, 324 U.S. at 815; *Keystone*, 290 U.S. at 244–45.

130. *Keystone*, 290 U.S. at 245 ("A court of equity acts only when and as conscience commands." (quoting Deweese v. Reinhard, 165 U.S. 386, 390 (1897))); MEAGHER ET AL., *supra* note 111, at 451 (explaining that equity prevents the unconscientious use of legal rights).

131. *See* L.A. SHERIDAN, FRAUD IN EQUITY 210 (1957) (explaining that innocent misrepresentation as a ground of equitable intervention was introduced late in the nineteenth century); SNELL, *supra* note 122, at 431–32; WORTHINGTON, *supra* note 15, at 39–40; TIM YEO, CHOICE OF LAW FOR EQUITABLE DOCTRINES 96 (2004). Given equity's recognition that bright lines cannot always be drawn among shadings of an almost infinitely varied human experience, it is not remarkable that courts failed to distinguish intentional from unintentional conduct in discerning unclean hands. *See* W. PAGE KEETON ET AL., PROSSER AND KEETON ON THE LAW OF TORTS § 8, at 33 (Spencer W. Symons ed., 5th ed. 1984) (observing that intent is "one of the most basic, organizing concepts of legal thinking" as well as the "most often misunderstood").

132. *See Precision*, 324 U.S. at 815; *Hazel-Atlas*, 322 U.S. at 250; *Keystone*, 290 U.S. at 246–47.

In particular, the Supreme Court's initial inequitable-conduct decision, *Keystone*, described the acts as "wrongful conduct."[133] It emphasized the governing principle of equity, which is that courts are unavailable to parties whose prior conduct "has violated conscience, or good faith, or other equitable principle."[134] Quoting an earlier decision in *Bein v. Heath*,[135] the Supreme Court in *Precision* explained "th[at] doctrine is rooted in the historical concept of court of equity as a vehicle for affirmatively enforcing the requirements of conscience and good faith."[136] Thus, the Court held that the defense "closes the doors of a court of equity to one tainted with inequitableness or bad faith."[137]

In line with its patent decisions, what is inequitable,[138] unconscionable,[139] or lacking in good faith[140] has been repeatedly considered by the Supreme Court when applying the doctrine of

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133. *Keystone*, 290 U.S. at 244.

134. The Court declared:

> [W]henever a party who, as *actor*, seeks to set the judicial machinery in motion and obtain some remedy, has violated conscience, or good faith, or other equitable principle, in his [or her] prior conduct, then the doors of the court will be shut against him [or her] *in limine*; the court will refuse to interfere on his [or her] behalf, to acknowledge his [or her] right, or to award him [or her] any remedy.

Id. at 244–45 (quoting 1 POMEROY, *supra* note 46, § 397, at 738) (internal quotation marks omitted).

135. 47 U.S. (6 How.) 228 (1848).

136. *Precision*, 324 U.S. at 814 (quoting *Bein*, 47 U.S. (6 How.) at 247); *see also* 2 POMEROY, *supra* note 32, § 397, at 91 ("[I]t is rather a universal rule guiding and regulating the action of equity courts in their interposition on behalf of suitors for any and every purpose . . . .").

137. *Precision*, 324 U.S. at 814.

138. "Inequitable conduct" is not a phrase unique to patent law. It was, and still is, used in describing conduct constituting unclean hands in non-patent decisions. *See, e.g.*, Neeme Sys. Solutions Inc. v. Spectrum Aeronautical LLC, 250 P.3d 1206, 1212–13 (Ariz. Ct. App. 2011) (quoting Smith v. Neely, 380 P.2d 148, 149 (Ariz. 1963)); Fladeboe v. Am. IsuzuMotors, Inc., 58 Cal. Rptr. 3d 225, 235–36 (Ct. App. 2007); *In re* Francis, 186 S.W.3d 534, 551 (Tex. 2006); Heidbreder v. Carton, 645 N.W.2d 335, 371 (Minn. 2002); Cornish Coll. v. 1000 Va. Ltd., 242 P.3d 1, 13 (Wash. Ct. App. 2010).

139. *See* Nat'l Fire Ins. Co. v. Thompson, 281 U.S. 331, 338 (1930) ("unconscientious" attitude); Clarke v. White, 37 U.S. (12 Pet.) 178, 193 (1838) ("unaffected conscience"); *see also* H. Coing, *English Equity and the Denunciatio Evangelica of the Canon Law*, 71 L. Q. REV. 223, 223 (1955) ("[T]he Court of Chancery is addressed as 'Court of Conscience,' and the decisive question in most cases is whether defendant could have acted in good conscience as he [or she] did.").

140. *See* ABF Freight Sys., Inc. v. NLRB, 510 U.S. 317, 330 (1994) (Scalia & O'Connor, JJ., concurring) (finding "inequitableness or bad faith relative to the matter in which he seeks relief" (quoting *Precision*, 324 U.S. at 814) (citing MCCLINTOCK, *supra* note 31, § 26); Sample v. Barnes, 55 U.S. (14 How.) 70, 74 (1852) (citing Creath's Adm'r v. Sims, 46 U.S. (5 How.) 192, 204 (1847)) ("[A] court of equity . . . will never interfere in opposition to conscience or good faith."). Likewise, honesty and good faith typically negate unclean hands. Newton v. Consol. Gas Co. of N.Y., 258 U.S. 165, 175–76 (1922) (implying good faith excludes unclean hands).

unclean hands.[141] While not necessarily inconsistent with the imposition of a particular mental state, the Court has also found conduct that is simply unfair[142] or unethical[143] to be unclean. Indeed, in *Precision*, the Court justified the application of the doctrine of unclean hands on the grounds that the petitioner's conduct did not conform to "minimum ethical standards."[144]

The Supreme Court also mentioned in *Precision* that a "willful act" is sufficient to invoke the doctrine of unclean hands,[145] but it did not limit the defense to this single condition. Nor did it cite any authority for the reference.[146] Presumably, the reference came from Story's formulation for willful conduct regarding any matter in litigation.[147] Various modern decisions have retained the willfulness

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141. *See, e.g.*, Johnson v. Yellow Cab Transit Co., 321 U.S. 383, 392 (1944) ("We do not find here any 'unconscientious or inequitable attitude' on the part of the carrier." (quoting Int'l News Serv. v. Assoc. Press, 248 U.S. 215, 245 (1918))).

142. *See* Bein v. Heath, 47 U.S. (6 How.) 228, 247 (1848) (asserting that the courts will never serve "one who has acted fraudulently, or who by deceit or unfair means has gained an advantage").

143. DOBBS, *supra* note 11, § 2.4(2), at 68–69 (illegal or unethical); *see also* Int'l News Serv. v. Assoc. Press, 248 U.S. 215, 245 (1918) (finding no unclean hands because conduct comports with industry standard).

144. *Precision*, 324 U.S. at 816 (referring to that which is required by a party attempting to assert and enforce "perjury-tainted" patents or contracts).

145. KEETON ET AL., *supra* note 131, § 31, at 169–70 (highlighting the meaning of "willful" as the division between negligence and intentional conduct); *see also id.* § 34, at 212–14 (discussing the terms willful, wanton, and recklessness as "an aggravated form of negligence"). Even by the 1980s, Prosser and Keeton advise that there was still no clear consensus on the meaning of any of the requisite mental states. *See id.* § 8, at 33–34 (explaining that state of mind definitions diverged in authoritative treatises and in court opinions).

146. *See Precision*, 324 U.S. at 815 ("Any willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient cause for invocation of the maxim . . . ."). Before *Precision*, at least one Supreme Court decision addressing unclean hands used the term "willful" to indicate an absence of good faith. *See* Curtin v. Benson, 222 U.S. 78, 85–86 (1911) (indicating that unclean hands did not apply when the trespass was not willful, but rather an "honest assertion of rights"); *see also* Weiner v. Romley, 381 P.2d 581, 582–83 (Ariz. 1963) (en banc) (declaring that the invocation of unclean hands requires willful misconduct as opposed to an honest mistake); Hartman v. Cohn, 38 A.2d 22, 25 (Pa. 1944) (holding that honest, as oppose to willful conduct, will not bar a party from seeking equitable relief). Only a few other unclean-hands decisions (out of an estimated one hundred decisions) by the Supreme Court even mention the term. *See, e.g.*, Worden v. Cal. Fig Syrup Co., 187 U.S. 516, 530 (1903).

147. *See* 1 STORY, *supra* note 46, § 99, at 100 ("[A]ny wilful act in regard to the matter in litigation, which would be condemned and pronounced wrongful by honest and fair-minded men, will be sufficient to make the hands of the applicant unclean."); *see also* JOSIAH W. SMITH, A MANUAL OF EQUITY JURISPRUDENCE FOR PRACTITIONERS AND STUDENTS § 36, at 29 (J. Trustram ed., 14th ed. 1889) (describing unclean hands in fraudulent transactions as "wilful misconduct"). Joseph Story, who served on the Supreme Court from 1811 to 1845, also described unconscionable conduct constituting unclean hands as "morally reprehensible as to known facts." 1 STORY, *supra* note 46, § 98, at 98; *see also* Danciger v. Stone, 187 F. 853, 858 (E.D. Okla. 1909) (explaining that "free and deliberate action with knowledge of the facts" is sufficient for unclean hands). Pomeroy does not mention a state of mind

criterion.[148] Moreover, certain contemporary courts have elevated the state of mind even further to include intent to deceive.[149] Still, there is no current consensus, and Supreme Court cases appear to be expressly contrary.[150]

Consistent with its history, the Supreme Court has declared that the unclean conduct at issue need not be illegal to invoke the defense and disqualify the remedy.[151] The Supreme Court's oft-cited opinion in *Cathcart v. Robinson*[152] makes it clear that conduct constituting unclean hands need not meet the criteria for fraud or

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requirement in the text of the fourth edition of his treatise, but a case annotation uses "wilful" in referring to the connection component of unclean hands. *See* 1 POMEROY, *supra* note 46, § 399, at 741 n.1 (quoting *Lewis & Nelson's Appeal*, 67 Pa. 153, 166 (1870)) (citing EDMUND H.T. SNELL, PRINCIPLES OF EQUITY 25 (London, Stevens & Haynes, 1st ed. 1868)).

The willful reference in many American courts can be tracked to the original edition of Snell's leading English treatise. *See, e.g.*, Yale Gas-Store v. Wilcox, 29 A. 303, 311 (Conn. 1894) (citing SNELL, *supra*, at 122). Snell's reference to willful misconduct was removed in later editions. Some courts espousing a willfulness criterion have relied on *Precision*. *See, e.g.*, Stachnik v. Winkel, 230 N.W.2d 529, 534 (Mich. 1975). Others have looked towards a passage from the *Corpus Juris Secondum* from the mid-twentieth century. *See, e.g.*, Seal v. Seal, 510 P.2d 167, 173 (Kan. 1973) ("willful conduct which is fraudulent, illegal, or unconscionable" (quoting 30 C.J.S. *Equity* § 95(a) (1965))).

148. *Compare* Queiroz v. Harvey, 205 P.3d 1120, 1122 (Ariz. 2009) (en banc) ("In *Weiner*, this Court held that when inequitable conduct was not 'willful,' unclean hands would not apply." (citing Weiner v. Romley, 381 P.2d 581, 582–83 (1963))), Broome v. Broome, 75 So. 3d 1132, 1140 n.15 (Miss. Ct. App. 2011) ("'The clean hands doctrine prevents a complaining party from obtaining equitable relief in court when he is guilty of willful misconduct in the transaction at issue.'" (quoting Bailey v. Bailey, 724 So. 2d 335, 337 (Miss. 1998))), *and* Shapiro v. Shapiro, 204 A.2d 266, 268 (Pa. 1964) ("Application of the unclean hands doctrine is confined to willful misconduct which concerns the particular matter in litigation."), *with* Saudi Basic Indus. Corp. v. ExxonMobil Corp., 401 F. Supp. 2d 383, 393–94 (D.N.J. 2005) (rejecting willfulness as criterion and noting a number of decisions that allowed "gross negligence," or "recklessness" to satisfy unclean hands).

149. *See* Japan Telecom, Inc. v. Japan Telecom Am. Inc., 287 F.3d 866, 870 (9th Cir. 2002) ("Bad intent is the essence of the defense of unclean hands." (quoting Dollar Sys., Inc. v. Avcar Leasing Sys., Inc., 890 F.2d 165, 173 (9th Cir. 1989))); Locken v. Locken, 650 P.2d 803, 805 (Nev. 1982) ("[S]uch conduct, standing alone, absent an intent to deceive, does not amount to unclean hands." (citing Xerox Corp. v. Dennison Mfg. Co., 322 F. Supp. 963 (D.C.N.Y. 1971))). But there is no liability standard requiring intentional misconduct in federal decisions concerning the spoliation of evidence and other litigation misconduct often grounded in unclean hands. *See* RENDLEMAN, *supra* note 12, at 689; Anenson, *Beyond Chafee*, *supra* note 14, at 567 & n.268 (discussing fabrication, destruction, and suppression of evidence).

150. The majority in *Therasense* neither cited the contemporary decision in its justification of the intent standard for inequitable conduct, nor specifically relied on *Precision*'s language of "willful" in elevating the intent standard of inequitable conduct beyond negligence.

151. The Court explained in *Precision* that "one's misconduct need not necessarily have been of such a nature as to be punishable as a crime or as to justify legal proceedings of any character." 324 U.S. at 815; *see also* 1 STORY, *supra* note 46, § 99, at 100 (commenting that an unfair transactions can constitute unclean hands even if the wrongdoing was "within the law").

152. 30 U.S. (5 Pet.) 264 (1831).

misrepresentation.[153] Lower courts are in accord.[154] Moreover, *Bein* expressly negates any requirement of a fraudulent intent.[155] In *United States v. Marshall Silver Mining Co.*,[156] the Court affirmed the dismissal of a land-patent dispute for unclean hands because the party was not free of fault, neglect, knowledge, or negligence in delaying the proceedings.[157]

The fact that inequitable conduct was once referred to as "fraud on the Patent Office" does not change its definition, nor does it validate a specific intent to deceive.[158] Supreme Court opinions describe unclean hands in patent law in the disjunctive as "fraud *or* any other type of inequitable conduct."[159] Furthermore, the doctrine of unclean hands is a species of equitable fraud that is broader than

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153. *See id.* at 276 (noting unclean hands is broader than contract defenses sufficient to justify rescission and denying a request for the specific performance of a contract where the seller aided the buyer's mistake); *see also* 1 POMEROY, *supra* note 32, § 400, at 744 (advising that unclean hands includes concealment of important facts even if not actually fraudulent).

154. *See, e.g.*, Stachnik v. Winkel, 230 N.W.2d 529, 534 (Mich. 1975) (asserting that all elements of fraud need not be present to invoke the clean hands maxim to bar specific performance); *see also* 30A C.J.S. *Equity* § 112 (2007) (citing cases).

155. *See* Bein v. Heath, 47 U.S. (6 How.) 228, 247 (1848) ("fraud[] . . . *or* any unfair means" (emphasis added)). Justice Brandeis' famous dissent in *Olmstead v. United States* declared that the principle of unclean hands "has long been settled" and referenced various contract illegality cases that did not require scienter. 277 U.S. 438, 483–84 (1928) (Brandeis, J., dissenting) ("The court's aid is denied only when he who seeks it has violated the law in connection with the very transaction as to which he seeks legal redress.").

156. 129 U.S. 579 (1889).

157. *Id.* at 589; *cf.* United States v. Am. Bell Tel. Co., 128 U.S. 315 (1888) (using land patent cases as analogy to intellectual property patents). Similarly, in *Simmons v. Burlington, Cedar Rapids & Northern Railway. Co.*, the Supreme Court reversed the decision of the lower court and dismissed the cross bill in equity under the maxim of unclean hands on the grounds that the lienholder had delayed in asserting his rights after reorganization. 159 U.S. 278, 291–92 (1895). The Court stated, "Acquiescence [which implies knowledge] is an important factor in determining equitable rights and remedies in obedience to the [clean hands] maxims . . . ." *Id.* at 291 (quoting 2 POMEROY, *supra* note 44, § 816, at 1136); *see also* Johnson v. Yellow Cab Transit Co., 321 U.S. 383, 403 (1944) (Frankfurter & Roberts, JJ., dissenting) (pronouncing that unclean hands was established to prevent a violation of the law even if the plaintiff had no moral turpitude).

158. Rosalind Poll, Note, *"He Who Comes into Equity Must Come with Clean Hands,"* 32 B.U. L. REV. 66, 66 (1952) (explaining that the clean hands maxim embodies several other principles, such as "[n]o action arises out of fraud and deceit").

159. United States v. Dubilier Condenser Corp., 289 U.S. 178, 221 (1933) (Stone, J., dissenting) (emphasis added)). The courts have uniformly ruled that the "unclean hands" of a patent applicant short of technical fraud will disentitle the patent owner to equitable relief and render the patent unenforceable. For example, in *E. I. DuPont de Nemours & Co. v. Berkley & Co.*, Chief Judge Markey of the Court of Customs and Patent Appeals, sitting by designation, wrote: "This circuit has recognized that inequitable conduct short of fraud can be a defense in a patent infringement suit." 620 F.2d 1247, 1274 (8th Cir. 1980) (citing Pfizer, Inc., v. Int'l Rectifier Corp., 583 F.2d 180, 185 (8th Cir. 1976)).

common-law fraud.[160] Fraud in equity does not require intent, only acts inconsistent with fair dealing and good conscience.[161] Equitable fraud has no exact definition in order to promote deterrence.[162] To be sure, the Supreme Court explicitly held in its patent (and other) decisions that the doctrine of unclean hands "assumes even wider and more significant proportions," as when used properly, it "averts an injury to the public."[163]

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160. *See, e.g.*, San Ann Tobacco Co. v. Hamm, 217 So. 2d 803, 810 (Ala. 1968) (finding that fraud or deceit that would amount to unclean hands need not be the same conduct as would constitute fraud or deceit under the common law); DeRosa v. Transamerica Title Ins. Co., 262 Cal. Rptr. 370, 373 (Ct. App. 1989) ("The doctrine does not require the party seeking relief to be guilty of fraud; it is sufficient if he merely acted unconscientiously."); DuPont v. DuPont, 85 A.2d 724, 725–26 (Del. 1951). Professor James Eaton describes two kinds of fraud in equity: actual and constructive.

> Actual fraud arises from facts and circumstances of imposition, and may be described as something said, done, or omitted by a person with the design of perpetrating what he must have known to be a positive fraud. Constructive fraud may be described as an act done or omitted, not with an actual design to perpetrate positive fraud or injury upon other persons, but which, nevertheless, amounts to positive fraud, or is construed as a fraud by the court because of its detrimental effect upon public interests and public or private confidence.

JAMES W. EATON, HANDBOOK OF EQUITY JURISPRUDENCE § 122–123, at 287 (1901). From the more general idea of fraud came more specific doctrines, such as contribution, which was at issue in the English case that first recognized the principle of unclean hands. *See* MEAGHER ET AL., *supra* note 111, at 450 (explaining that fraud is "one of the three pillars which support the entire structure of equity jurisdiction, exclusive, auxiliary and concurrent"); Lionel Smith, *Fusion and Tradition, in* EQUITY IN COMMERCIAL LAW 19, 25 n.34 (James Edelman & Simone Degeling eds., 2005) (noting that the phrase equitable fraud in some periods covered all grounds of equitable intervention).

161. *See* 27A AM. JUR. 2D *Equity* § 5, at 552 (2013) ("[F]raud in equity has a much broader connotation than at law and includes acts inconsistent with fair dealing and good conscience . . . ."); JOHN GLOVER, EQUITY, RESTITUTION & FRAUD, § 1.6, at 8 (2004) ("Moral culpability . . . need not be proven to justify equitable fraud—it has a different role."); MEAGHER ET AL., *supra* note 111, at 445 (equitable fraud is not just actual, intentional, premeditated fraud); 2 POMEROY, *supra* note 32, § 399, at 99 n.17) ("Fraud, in equity, often consists in the unconscientious use of a legal advantage originally gained with innocent intent . . . ."); SHERIDAN, *supra* note 131, at 210 (fraud remains "the residuary legatee of what offends the conscience").

162. Story advised that "[b]y disarming the parties of all legal sanction and protection for their acts, they suppress the temptations and encouragements which might otherwise be found too strong for their virtue." 1 JOSEPH STORY, COMMENTARIES ON EQUITY JURISPRUDENCE § 258, at 265 (Melville M. Bigelow ed., 13th ed. 1886); *see also* Anenson, *Beyond Chafee, supra* note 14, at 518 (describing unclean hands as equally concerned with preventative justice as well as remedial justice after the wrong is committed).

163. *See* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 815 (1945) (determining patent rights to be "'issues of great moment to the public'" (quoting Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 246 (1944))). Supreme Court non-patent decisions concerning equitable principles are in accord. *See, e.g.*, Virginian Ry. Co. v. Sys. Fed'n No. 40, 300 U.S. 515, 552 (1937) ("Courts of equity may, and frequently do, go much farther both to give and withhold relief in furtherance of the public interest than they are accustomed to go when only private interests are involved."); *see also* discussion *infra* Part III.

In light of the foregoing, the majority's constriction of inequitable conduct to only those cases evidencing intent to deceive lacks historical legitimacy. While it finds support from the three Supreme Court cases' facts, it does not find support in their legal precedents or the equitable tradition of unclean hands. The lesser mental state of "willfulness" that is required in some lower courts and mentioned in *Precision* is at least defensible from a jurisprudential standpoint and also most likely to satisfy the majority's policy preferences. Nevertheless, given the totality of the Supreme Court decisions, it seems that the requisite level of cognition and culpability necessary to disqualify a patentee from suing for infringement was left to the discretion of the district court.

C. Connection Component (Materiality)

The majority in *Therasense* also deviated from the legacy of inequitable conduct in equity and unclean hands when it defined materiality.[164] The majority tightened the standard for judging the

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Deterrence was the Supreme Court's primary concern when it refused to require a particular state of mind in *Pinter v. Dahl*, in which it established the criteria for the unclean-hands doctrine's kindred legal defense of *in pari delicto* and dismissed statutory actions under the securities laws. 486 U.S. 622, 635 (1988). Like patent infringement, the securities claim at issue was a strict liability offense, and the plaintiff argued the defense was inappropriate. *Id.* at 628–29. The Court disagreed, holding that the plaintiff's fault need neither be intentional nor willful in order to establish a judge-made defense to a private action under the securities statutes. *Id.* at 633–34. It explained that "[r]egardless of the degree of scienter, there may be circumstances in which the statutory goal of deterring illegal conduct is served more effectively by preclusion of suit rather than by recovery." *Id.* at 634. Likewise, the goal of encouraging legitimate invention may be furthered in some cases by the denial of an infringement action. The purpose of granting patent rights to facilitate innovation has always been counterpoised against the goal of preventing inequitable conduct so that patents are free of fraud and within their legitimate scope. *See, e.g.*, Rader, *supra* note 69, at 780 n.13. Similar to *Pinter*, the Supreme Court's early inequitable-conduct decisions appear to leave the state of mind necessary to trigger inequitable conduct to the lower courts on a case-by-case basis to ensure the proper balancing of statutory goals.

164. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1297–98 (Fed. Cir. 2011) (en banc) (O'Malley, J., concurring in part and dissenting in part) (criticizing both the majority's but-for test of materiality and the dissent's adoption of Rule 56 as eschewing "flexibility in favor of rigidity" that is "contrary to the very nature of equity and centuries of Supreme Court precedent"). Aside from its history in equity, textual considerations cut against equating a defense associated with the enforceability of the patent with its validity. Invalidity and unenforceability are listed as separate defenses under the Act, but the defense of invalidity has no state of mind requirement, and requires nothing more than a showing that the conditions of patentability were not satisfied. Patent Act of 1952, 35 U.S.C. §§ 1–376 (2006 & Supp. V 2011). From a practical perspective, "if the test for materiality requires proof of invalidity, why litigate inequitable conduct, which requires the additional proof of intent?" Goldman, *supra* note 23, at 96; *see also* Roscoe Pound, *Common Law and Legislation*, 21 HARV. L. REV. 383, 387 (1908) (citing Blackstone's tenth rule of statutory interpretation for the proposition "that interpretations which produce

materiality of information underlying an inequitable-conduct defense by replacing the "reasonable examiner" standard with a "but-for" materiality test.[165] The "but-for" test defines material information as any non-cumulative information that would have prevented the patent from issuing had it been disclosed.[166]

The materiality element of inequitable conduct conforms to the connection condition of unclean hands that formed the basis of the original English case of *Dering*.[167] In *Dering*, the court emphasized that inequitable conduct is not invoked merely by establishing a "general depravity."[168] It ruled that there must be an "immediate and necessary" connection between the conduct said to make the plaintiff's hands unclean and the right claimed.[169] The court explained that "it must be a depravity in a legal as well as in a moral sense."[170]

Early American cases reiterated *Dering*'s "immediate and necessary" language.[171] Supreme Court cases on the doctrine of unclean hands continue to require a relationship between the wrong and the remedy or right.[172] In fact, the most recent case by the Court addressing the defense reiterated Pomeroy's classic formulation that the wrongdoing must be "in the course of the transaction at issue."[173]

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collaterally absurd or mischievous consequences are to be avoided"). The different burdens of proof (preponderance of the evidence in claim prosecution before the Patent Office and in determining "materiality" for inequitable conduct and clear and convincing proof of invalidity in federal court) do little to differentiate the defenses and resolve the structural objection. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1291–92, 1294 (Fed. Cir. 2011) (en banc) (acknowledging there will be congruence between the defenses of invalidity and unenforceability).

165. *Therasense*, 649 F.3d at 1291 (replacing the broader "reasonable examiner" test used in previous patent cases).

166. *Id.* at 1294.

167. (1787) 29 Eng. Rep. 1184, 1184–86 (recognizing the doctrine of unclean hands but denying its application on the ground that the alleged unclean acts lacked the requisite relation to the case).

168. *Id.* at 1184.

169. *Id.* at 1185.

170. *Id.*

171. *See, e.g.*, Camors-McConnell Co. v. McConnell, 140 F. 412, 415 (S.D. Ala. 1905) ("direct or necessary operation of said contract"). For modern cases echoing the "immediate and necessary" language, see, for example, Ne. Women's Ctr., Inc. v. McMonagle, 868 F.2d 1342, 1354 (3d Cir. 1989) (quoting Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 245–46 (1933)).

172. *See, e.g.*, ABF Freight Sys., Inc. v. NLRB, 510 U.S. 317, 330 (1994) (Scalia & O'Connor, JJ., concurring).

173. McKennon v. Nashville Banner Publ'g. Co., 513 U.S. 352, 360 (1995) (citing 2 POMEROY, *supra* note 32, § 397, at 90–92). *But see* ROBERT MEGARRY & P.V. BAKER, SNELL'S PRINCIPLES OF EQUITY 33 (27th ed. 1973) (noting that the "limitation was not recognised [in England] in the reign of Elizabeth I and her immediate successors and . . . has been lost sight of in some American jurisdictions").

The Supreme Court also recognized this element and its discretionary operation in patent law. In *Keystone*, the Court echoed *Dering*'s "immediate and necessary" language, ruling that the wrongful acts "affect the equitable relations between the parties in respect of something brought before the court for adjudication."[174] The Court explained in *Precision* that the defense "closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief."[175] Discussing the condition in the nineteenth century, Justice Brandeis emphasized that "[e]quity does not demand that its suitors shall have led blameless lives."[176] Discerning a "want of equity in the allegations and corresponding proof" as opposed to "the bad conduct in life and character of the complainant" is not exclusively factual, but normative.[177] Cases from the Supreme Court and lower federal courts further support a discretionary approach to the connection component by regular use of the risk language of direct, rather than collateral, remote, or indirect, in assessing the connection component.[178]

In his iconic analysis of unclean hands, Zechariah Chafee likewise posed the question regarding the closeness of the connection as whether an illegal transaction is "central" or "collateral" to the litigated claim.[179] He concluded that the answer cannot be determined solely by the facts of the case; rather, the court should use its judgment in analyzing the underlying values at stake.[180] Courts

174. *Keystone*, 290 U.S. at 245.

175. Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 814 (1945).

176. Loughran v. Loughran, 292 U.S. 216, 229 (1934).

177. Clarke v. White, 37 U.S. (12 Pet.) 178, 193 (1838); *see also* RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 63(e) (2011) ("Whether particular misconduct is directly relevant or merely 'collateral' to the relief sought by the claimant will depend on the court's sense of fitting punishment in the case at hand.").

178. See Johnson v. Yellow Cab Transit Co., 321 U.S. 383, 390–91 (1944) (distinguishing collateral from direct violations of federal criminal law); *Loughran*, 292 U.S. at 228 (employing the language "collateral" and "indirect and remote" in reference to violation of law); *see also* DOBBS, *supra* note 11, § 2.4(2)m, at 71 n.22 (citing Ne. Women's Ctr., Inc. v. McMonagle, 868 F.2d 1342, 1354 (3d Cir. 1989)).

179. Chafee I, *supra* note 11, at 896–98 (examining both law and equity suits seeking to enforce illegal contracts). After asking whether the main transaction is illegal, Chafee poses the next questions as whether the illegal transaction is "central to the litigated claim" or collateral? *Id.* at 897–98.

180. *Id.* at 898. Chafee commented on the difficulty courts have in determining the effect of unlawful acts that are completed. *Id.* at 897–98 (comparing relationship requirement issue in the equity case of McMullen v. Hoffman, 174 U.S. 639, 654 (1899), in which a seller resisted specific performance of a land contract because the buyer got the price as a bribe for political favors to a third person, with the law case of *Loughran*, 292 U.S. at 228, in which the illegality was indirect to the relief sought).

apply the doctrine for purposes of preventing a private advantage or public harm.[181] Studying unclean hands in 1993, Dan Dobbs similarly described the connection component as akin to a duty analysis.[182] Our recent research on the doctrine of unclean hands also defends the idea of analyzing the relationship between the wrong and the remedy under principles of proximity.[183] From this vantage, it is clear that the *Therasense* majority's but-for materiality requirement removed the discretion of the district court to determine foreseeability and decide whether the failure to provide relevant information on patentability to the Patent Office was so closely related that it was within the scope of the risk.[184]

Contrary to traditional application of the unclean-hands doctrine, the *Therasense* majority raised materiality in law to validity in fact.[185] The majority admitted that none of the Supreme Court's inequitable-conduct decisions supported the new general rule of inequitable conduct that information concealed in prosecuting the patent must, in hindsight, invalidate it.[186] It provided three reasons for its departure from settled precedent.[187] Each is critiqued below.

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181. *See, e.g.*, Anenson, *Treating Equity Like Law*, *supra* note 13, at 461 (stating the two fundamental purposes of the unclean-hands doctrine—protecting judicial integrity and promoting justice); *accord* PETER W. YOUNG ET AL., ON EQUITY 180–84 (2009) (discussing Australian and English law on the doctrine of unclean hands).

182. Dan Dobbs is the Regents and Rosentiel Distinguished Professor Emeritus of Law at the University of Arizona College of Law. See Douglas Laycock, *How Remedies Became a Field: A History*, 27 REV. LITIG. 161, 261 (2008) (explaining that Dobbs published the first treatise on remedies and commenting that "[n]o one did more to institutionalize remedies as a field"). Dobbs theorized that the connection component of unclean hands is congruent if the wrongdoing (1) is the same kind of harm that the plaintiff intended or unreasonably risked, and (2) resulted in actual or threatened harm to the defendant or group of person which the defendant is identified with. DOBBS, *supra* note 11, § 2.4(2), at 71. Professor Rendleman describes Dobbs' analysis as asking whether the plaintiff's misconduct is so closely related that it is within the scope of the risk. RENDLEMAN, *supra* note 12, at 270.

183. *See* Anenson, *Beyond Chafee*, *supra* note 14, at 543.

184. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1291 (Fed. Cir. 2011) (en banc). Dobbs also saw the case law as employing two different standards depending on the circumstances. DOBBS, *supra* note 11, § 2.4(2), at 70. In some cases, he found that courts used a narrow formula. *See id.* The courts emphasize that "[w]hat is material is not that the plaintiff's hands are dirty, but that he dirties them in acquiring the right he now asserts." *Id.* (quoting Republic Molding Corp. v. B.W. Photo Utils., 319 F.2d 347, 349 (9th Cir. 1963)) (internal quotation marks omitted). In other cases, he concluded that courts used a broad formula. *See id.* They simply ask whether the improper conduct "sufficiently affected the equitable relations between the parties." *Id.* (quoting N. Pac. Lumber Co. v. Oliver, 596 P.2d 931, 942 (1979)) (internal quotation marks omitted).

185. *See Therasense*, 649 F.3d at 1291.

186. *See id.* at 1293.

187. *See id.* at 1292, 1295.

1. Private advantage

Citing *Keystone*, the majority in *Therasense* reasoned that "the patentee obtains no advantage from misconduct if the patent would have issued anyway."[188] Yet, the Supreme Court in *Keystone* did not determine the validity of the patent;[189] it was enough that the suppression made the patent "more certain."[190]

There are certainly cases of unclean hands where the plaintiff has been unjustly enriched at the defendant's expense.[191] As such, the extent of any unfair benefit can be considered in relation to the defendant's harm.[192] In *Keystone*, the Supreme Court framed the potential advantage in seeking an injunction for infringement as relative to the burden on the competitor.[193] "As the litigation was to continue for years and the use of the devices in question was essential to the ditching machinery, it is clear that the injunctions would have been a burdensome detriment to defendants."[194] The Court further stated that "[t]he amounts of the bonds required in lieu of injunctions attest the importance of the advantage obtained by use of the [Byers] decree."[195] Because the patentee failed to secure the injunction using the dubious decree of validity, *Keystone* further demonstrates that even an attempted advantage or harm warrants the imposition of the unclean-hands doctrine under certain circumstances.[196]

The plaintiff in *Hazel-Atlas* argued that the unclean-hands defense could not be invoked because the inequitable conduct was not the primary basis of the decision.[197] The Supreme Court conceded that the inequitable behavior in manufacturing an article may not have had a significant effect on the issuance of the patent, finding that it

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188. *Id.* at 1292.

189. *See* Keystone v. Nw. Eng'g Corp., 294 U.S. 42, 44 n.2 (1935) (citing Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240 (1933)).

190. *See id.* (citing *Keystone*, 290 U.S. 240) (noting that suppression rendered the Downie patent "more certain").

191. *See, e.g.*, R. H. Stearns Co. v. United States, 291 U.S. 54, 61–62 (1934).

192. *See, e.g.*, Earle R. Hanson & Assocs. v. Farmers Coop. Creamery Co., 403 F.2d 65, 70 (8th Cir. 1968) ("The plaintiff may be denied relief where . . . the result induced by his conduct will be unconscionable either in the benefit to himself or the injury to others." (quoting Johnson v. Freberg, 228 N.W. 159, 160 (Minn. 1929))); *see also* RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 63(a) (2011) (discussing unclean hands as a defense to unjust enrichment).

193. *See Keystone*, 290 U.S. at 246–47.

194. *Id.*

195. *Id.* at 247.

196. The patentee in *Keystone* adjudicated the validity of the patent in prior litigation without disclosure of the contract, keeping secret the potential prior use. *Id.* at 242–43.

197. *See* Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 246–47 (1944).

was "wholly impossible accurately to appraise the influence" of the article.[198] Nevertheless, the Court found it sufficient that the plaintiff successfully secured the patent from the Patent Office and retained the validity determination on appeal.[199] *Precision* described the patentee's obligations as an "uncompromising duty to report to [the Patent Office] all facts concerning *possible* fraud or inequitableness underlying the applications in issue."[200]

The Supreme Court's unclean-hands cases involving patent misuse are in accord. In *Morton Salt v. G.S. Suppiger Co.*,[201] the Court declared that the unclean-hands doctrine applies "regardless of whether the particular defendant has suffered from the misuse of the patent."[202] As a result, the Court's patent decisions demonstrate that an omission or concealment can result in a finding of unclean hands, even without harm to the defendant (because the patent would have issued anyway) or gain to the plaintiff.

While the original English and American cases required proof of harm to the defendant,[203] most later decisions did not.[204] The prevailing view is that the doctrine of unclean hands applies even though the plaintiff has not injured anyone, including the defendant.[205] One example is the Delaware Court of Chancery

198. *Id.* at 247.

199. *See id.* (indicating that the plaintiff was in no position to dispute the effectiveness of the article after securing the patent and retaining the patent's validity).

200. Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 818 (1945) (emphasis added).

201. 314 U.S. 488 (1942).

202. *Id.* at 494 (affirming the trial court's dismissal of a patent infringement complaint for want of equity under the unclean-hands doctrine), *abrogated by* Ill. Tool Works Inc. v. Indep. Ink, Inc., 547 U.S. 28 (2006).

203. Chafee I, *supra* note 11, at 881 & n.10 (explaining that the early cases referenced by Francis were situations where the applicant harmed the respondent and that "[t]he inquiry must be done to the defendant himself" (citing FRANCIS, *supra* note 30)). Some cases still require injury to the defendant in order to satisfy the unclean-hands doctrine. *See, e.g.*, Kostelnik v. Roberts, 680 S.W.2d 532, 535–36 (Tex. Ct. App. 1984) (indicating that there was no connection between the claimant's unclean hands and the asserted claim because the wrongful conduct complained of "must have been done to the defendant himself and not to some third party"); *see also* RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 63(f) (2011) (asserting that the *Kostelnik* case "fundamentally misstates the law")).

204. *See, e.g.*, Gaudiosi v. Mellon, 269 F.2d 873, 882 (3d Cir. 1959) (stating that defendant need not be damaged to invoke unclean-hands doctrine (citing Art Metal Works v. Abraham & Straus, 70 F.2d 641, 646 (2d Cir. 1934) (Hand, J., dissenting))); Green v. Higgins, 535 P.2d 446, 450 (Kan. 1975) (holding that the unclean-hands doctrine applies even if the plaintiff's misconduct does not injure anyone).

205. *See Green*, 535 P.2d at 450 (citing MCCLINTOCK, *supra* note 31, § 26); *see also* Yeiser v. Rogers, 108 A.2d 877, 878–79 (N.J. Super. Ct. App. Div. 1954) (declaring that it is not the wrong accomplished, but the wrong planned, that matters when invoking the unclean-hands doctrine).

decision in *Nakahara v. NS 1991 American Trust*.[206] Citing the Supreme Court decision in *Deweese*, the Chancellor rejected the idea of "no harm, no foul" and explained that "[e]quity does not reward those who act inequitably, even if it can be said that no tangible injury resulted."[207] As a result, courts have held that misrepresentation and concealment of important facts, even though non-material, constitute unclean hands.[208]

Chafee advised that the progression of the unclean-hands doctrine to include third-party protection occurred in the late nineteenth century.[209] Dobbs instructed that the extension of unclean hands to protect the public interest had taken hold by the early twentieth century.[210] Therefore, as evidenced by the Supreme Court's inequitable-conduct decisions, courts had carved out an exception to the injury requirement by the time the Supreme Court introduced the doctrine of unclean hands to patent law.[211]

2. Public protection

In further rationalizing why material means invalid, the *Therasense* majority opinion emphasized that the "enforcement of an otherwise valid patent does not injure the public merely because of misconduct, lurking somewhere in the patent prosecution, that was immaterial to the patent's issuance."[212] The majority's conclusion as to the absence of public harm is faulty for several reasons.

a. False monopolies

Importantly, the reasoning of the *Therasense* majority contradicts the Supreme Court's inequitable-conduct decisions. The Supreme Court invoked the doctrine of unclean hands in its patent decisions

206. 739 A.2d 770 (Del. Ch. 1998).

207. *Id.* at 794 n.123 (citing Deweese v. Reinhard, 165 U.S. 386, 390 (1897)) (denying litigation expenses for unclean hands even though contractual prerequisites satisfied).

208. *See* Turchi v. Salaman Media Partners, Ltd., No. 11,268, 1990 WL 27531, at *8–9 (Del. Ch. Mar. 14, 1990) (quoting 2 POMEROY, *supra* note 32, § 400, at 100–01), *aff'd sub nom.*, Media Partners, Ltd. v. Turchi, 597 A.2d 354 (Del. 1991); *see also* Portnoy v. Cryo-Cell Int'l, Inc., 940 A.2d 43, 81 n.206 (Del. Ch. 2008) ("Harm . . . is not strictly required for the doctrine of unclean hands to bar relief." (citing *Nakahara*, 739 A.2d at 794)).

209. Chafee I, *supra* note 11, at 892 (citing Kelly v. Cent. Pac. R.R., 16 P. 386 (Cal. 1888); Curran v. Holyoke Water Power Co., 116 Mass. 90 (1874)).

210. DOBBS, *supra* note 11, § 2.4(2), at 70 (criticizing cases of unclean hands for improper conduct not causing injury to the defendant).

211. For cases in Australia not requiring harm to the defendant due to the paramount public interest in intellectual property, see YOUNG ET AL., *supra* note 181, at 183.

212. Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1292 (Fed. Cir. 2011) (en banc).

in the public interest.[213] It did not require the unclean conduct to harm the defendant, and correspondingly the public, by rendering the patent invalid and possibly resulting in a false monopoly.[214] Similar to the concern of a possible private advantage, Supreme Court jurisprudence establishes that prevention of public harm is an important consideration.[215]

The Court has repeatedly emphasized that "[i]t is the public interest which is dominant in the patent system."[216] In *American Bell*, the Court explained that the government has "taken from the public rights of immense value and bestowed them upon the patentee."[217] Inequitable conduct practiced upon the officers of the government "perpetrate[s] a grievous wrong upon the general public, upon the United States, and upon its representatives."[218] Indeed, in dismissing statutory infringement actions for unclean hands, the *Precision* Court underscored the maxim's "vital significance" in lawsuits involving patents affecting the public interest.[219]

Because patent rights are "'issues of great moment to the public,'"[220] the Supreme Court in *Precision* found that mere knowledge of the possibility of perjury in the patent application of another precluded a claim for patent infringement by the company

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213. *See* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 816 (1945) (noting that the important social and economic consequences inherent in patents give the public an interest in ensuring that patent monopolies do not result from inequitable conduct).

214. *See* Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488, 494 (1942) ("It is the adverse effect upon the public interest of a successful infringement suit, in conjunction with the patentee's course of conduct, which disqualifies him to maintain the suit . . . ."); *see also Precision*, 324 U.S. at 816 ("A patent by its very nature is affected with a *public* interest." (emphasis added)).

215. *See* T. Leigh Anenson & Donald O. Mayer, *"Clean Hands" and the CEO: Equity as an Antidote for Excessive Compensation*, 12 U. PA. J. BUS. L. 947, 976–79 (2010) (discussing how public protection from fraud and other nefarious commercial practices began in equity and only later became the primary domain of legislation during the late nineteenth and early twentieth centuries); *see also* discussion *infra* Part II.C.2.b–c.

216. Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661, 665 (1944), *overruled on other grounds* Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 213 (1980); *see* Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found., 402 U.S. 313, 344 (1971) ("The patent is a privilege. But it is a privilege which is conditioned by a public purpose." (quoting *Mercoid*, 320 U.S. at 666)).

217. United States v. Am. Bell Tel. Co., 128 U.S. 315, 370 (1888).

218. *See id.* at 357.

219. *Precision*, 324 U.S. at 815 (citing Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488, 492 (1942)); *see* B. Zorina Khan, *Innovations in Law and Technology*, *in* 2 THE CAMBRIDGE HISTORY OF LAW IN AMERICA 483, 528 (Michael Grossberg & Christopher Tomlins eds., 2008) (discussing how private inventors were considered public benefactors).

220. *Precision*, 324 U.S. at 815 (quoting Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 246 (1944)).

who later acquired the patent.[221] The Supreme Court announced that the "[p]ublic interest demands that all facts relevant to such matters be submitted formally or informally to the Patent Office, which can then pass upon the sufficiency of the evidence."[222] The Court found that "[o]nly in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies."[223] In fact, the Court's decision in *Hazel-Atlas* instructs that doubt as to patentability is resolved against the patentee.[224]

The Court has been equally sensitive to the public interest in other areas of federal law.[225] In *S&E Contractors, Inc. v. United States*,[226] the Supreme Court endorsed the application of unclean hands in government contracting.[227] It proclaimed that "[c]ontracts with the United States—like patents—are matters concerning far more than the interest of the adverse parties; they entail the public interest."[228] Quoting *Precision*, the Court declared:

> [W]here a suit in equity concerns the public interest as well as the private interests of the litigants this doctrine assumes even wider and more significant proportions. For if an equity court properly uses the maxim to withhold its assistance in such a case it not only prevents a wrongdoer from enjoying the fruits of his transgression but averts an injury to the public.[229]

Lower courts have embraced the public interest under the doctrine of unclean hands as well.[230] In deterring violations of the law, they have refused to require private harm in dismissing non-patent statutory actions.[231] Private-law cases where the unclean conduct

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221. *See id.* at 815–20.
222. *Id.* at 818.
223. *Id.*; *see also* A.H. Emery Co. v. Marcan Prods. Corp., 389 F.2d 11, 18 (2d Cir. 1968) (stating a court would "be warranted in not condoning behavior by an inventor who is invested with a public trust and whose oath, which is by statute an essential part of every patent application, is heavily relied on by the authorities in the Patent Office" (footnote omitted)).
224. *See Hazel-Atlas*, 322 U.S. at 246 (refusing to consider any benefit to the defendant asserting unclean hands due to the public interest in patents).
225. *See, e.g.*, Bevans v. United States, 80 U.S. (13 Wall.) 56, 62 (1871) (citing United States v. Prescott, 44 U.S. (3 How.) 578, 588 (1845)) (affirming a finding of unclean hands because public policy requires strict accountability for receivers of public money).
226. 406 U.S. 1 (1972).
227. *See id.* at 15 (stating that contracts based on patents obtained with unclean hands are not enforceable).
228. *Id.*
229. *Id.* (quoting Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 815 (1945)) (internal quotation marks omitted).
230. *See generally* 30A C.J.S. *Equity* § 116 (2007) (citing cases involving protection of the public interest).
231. *See, e.g.*, Mallis v. Bankers Trust Co., 615 F.2d 68, 75–76 & n.5 (2d Cir. 1980) (applying New York state law and holding that no injury is needed if there is harm to

involved potential statutory violations additionally establish that possible public injury is sufficient grounds for unclean hands.[232] Chafee explained that courts were using the defense of unclean hands as an indirect method to deter serious violations that were otherwise hard to obtain.[233] For this reason, private, or even public, harm is not a condition of dismissal if the conduct has the potential to encourage future violations.[234]

These decisions also depict the discretionary nature of the connection component of the unclean-hands doctrine and demonstrate why elevating the materiality element of inequitable conduct to a single criterion of invalidity by reference to public harm is erroneous. In his seminal work on unclean hands, Chafee discussed the Supreme Court's early inequitable-conduct decisions in patent law in relation to the illegality doctrine.[235] Unclean hands in situations involving illegality may be applied short of a violation of the law, which is incompatible with the *Therasense* majority's rule requiring invalidity.[236] Rather than one decisive factor, courts in illegality and unclean-hands cases weigh a number of factors, such as the extent of interference with the statute or other policy, the seriousness of the wrongdoing, and the connection to the

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public policy); Thompson v. Orcutt, 777 A.2d 670, 679–80 (Conn. 2001) (describing an exception to private harm requirement of the unclean-hands doctrine if the application of the doctrine furthers a public interest).

232. *See, e.g.*, Metro Motors v. Nissan Motor Corp. in U.S.A., 339 F.3d 746, 750–51 (8th Cir. 2003) ("Well-accepted general principles of equity support Metro's contention that a statutory violation gives a party unclean hands.").

233. Chafee I, *supra* note 11, at 901–03 (citing Thompson v. Williams, 58 N.H. 248 (1878); Coules v. Pharris, 250 N.W. 404 (Wis. 1933)) (describing unclean hands category of illegality decisions).

234. For example, in *Carrington*, which was cited in *Keystone*, the Court found that invoking the unclean-hands defense promoted the deterrence function. *See* Carrington v. Pratt, 59 U.S. (18 How.) 63, 67–68 (1855) (noting that the party acting in bad faith "would risk nothing" if the security was held valid to the extent of the loan).

235. *See* Chafee I, *supra* note 11, at 896–906 (discussing unclean hands category of illegal contract suits as well as tort suits by persons charged with a crime). *See generally* WORTHINGTON, *supra* note 15, at 39–40 (identifying the parallels between illegality under the common law and unclean hands). Chafee concluded that application of the doctrine of unclean hands in patent cases shows that the doctrine is part of patent law and part of illegality. Chafee II, *supra* note 11, at 1071.

236. RENDLEMAN, *supra* note 12, at 269 (noting the similarity of unclean hands and illegality in that a positive law violation is unnecessary to implicate either doctrine). The cases primarily dealt with a prohibition, not the permission of a right, so they are not coextensive. The violation of an administrative rule, such as Rule 56's duty of disclosure, would amount to illegality and unclean hands. *See* Boise, *supra* note 15, at 191 (noting violation of an administrative rule constitutes unclean hands); *see also* Jecker v. Montgomery, 54 U.S. (13 How.) 498, 508 (1851) ("It is a good moral and legal principle, that a man must come into a court of justice with clean hands, and that the law will not lend its aid to a person setting up a violation of law on the face of his claim." (citation omitted) (internal quotation marks omitted)).

agreement.[237] Ultimately, courts weigh the *value* of extra statutory pressure to induce obedience with important laws against its *costs.* This cost-benefit analysis occurs at the trial-court level on a case-by-case basis.[238]

Notwithstanding the fierce incentives to omit relevant information to secure a federally protected patent privilege,[239] the majority in *Therasense* equated materiality with patent invalidity, converting the long-standing discretionary standard of unclean hands into a rule.[240] Therefore, the majority's new rule that materiality means invalidity is not supported by reference to the public interest.

b. Government decision making

Also problematic is the *Therasense* majority's failure to acknowledge that the public interest protected by unclean hands includes safeguarding judicial and administrative processes.[241] One commentator explained that, by 1907, "the courts were moving away from the earlier theory that the plaintiff's harmful conduct had to be directed toward the defendant and applying the maxim for the protection of the court."[242] Judge Learned Hand's dissent in *Art Metal Works v. Abraham & Straus*[243] represents this phenomenon. There, he asserted that unclean hands "has nothing to do with the rights or liabilities of the parties; indeed the defendant who invokes it

237. *See* JANE P. MALLOR ET AL., BUSINESS LAW: THE ETHICAL, GLOBAL, AND E-COMMERCE ENVIRONMENT 393 (14th ed. 2010).

238. British scholars studying the uncertainty and rigidity of illegality in practice also espouse leaving the policy balancing to the lowest level decision maker. *See, e.g.*, R.A. BUCKLEY, ILLEGALITY AND PUBLIC POLICY 5 (2d ed. 2009) ("One approach to reform which commands widespread, but not universal, support is that conferring a statutory discretion on the court, enabling it to balance sharply conflicting interests in an infinite variety of different situations, is an appropriate way forward.").

239. In *Precision*, for instance, it was unlikely, as a practical matter, that a civil suit for conspiracy or a criminal prosecution would uncover the underlying fraud. *See* Brief for Respondent at 4–5, Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806 (1945) (No. 377). The Supreme Court held that the patentee had a duty to disclose the wrongdoing despite the fact there was insufficient evidence to prove it. *Precision*, 324 U.S. at 818 (citing Crites, Inc. v. Prudential Ins. Co. of Am., 322 U.S. 408, 415 (1944)).

240. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1293 (Fed. Cir. 2011) (en banc) (creating a test that requires inequitable conduct to be a "but-for" reason for the patent's issuance).

241. *See* Goldman, *supra* note 23, at 69–70 (explaining how the Federal Circuit previously identified ethical imperatives of honesty before the Patent Office as a private interest as opposed to the public interest in patent monopolies (citing Rohm & Haas Co. v. Crystal Chem. Co., 722 F.2d 1556, 1571 (Fed. Cir. 1983))). *See generally* 30A C.J.S. *Equity* § 116 (2007) (citing unclean-hands cases involving protection of government interests).

242. Poll, *supra* note 158, at 67 (citing Coleman v. Coleman, 61 P.2d 441 (1936)).

243. 70 F.2d 646 (2d Cir. 1934).

need not be damaged."[244] The U.S. Court of Appeals for the Third Circuit relied on Hand's dissent in *Gaudiosi v. Mellon*[245] and decreed that "courts are concerned primarily with their own integrity in the application of the clean hands maxim. Courts in such situations act for their own protection and not as a matter of 'defense' to the defendant."[246]

This concern for the court as an institution was expressed not only in the Supreme Court's inequitable-conduct decisions,[247] but also in recent research on the doctrine of unclean hands, which demonstrates that courts' integrity has been the core motivator in advancing the doctrine in modern jurisprudence.[248] Joseph Story reminds us that the original basis for equitable intervention was, in fact, founded on abuse of process.[249]

The application of the unclean-hands doctrine pursuant to the court-protection purpose defends the judicial process because it protects judicial integrity. The maxim of unclean hands "derives from the unwillingness of a court of equity, as a court of conscience, to lend the aid of its extraordinary powers to a plaintiff who himself is guilty of reprehensible conduct in the controversy and thereby to endorse such behavior."[250] Our recent survey of the doctrine of unclean hands suggests that the social interest in judicial integrity is both actual and symbolic.[251] There are also related instrumental

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244. *Id.* at 646 (Hand , J., dissenting).
245. 269 F.2d 873 (3d Cir. 1959).
246. *Id.* at 882.
247. *See* Goldman, *supra* note 23, at 46 (asserting that the Supreme Court was concerned with the ramifications of fraud on the judicial process in its three inequitable-conduct cases).
248. *See* Anenson, *Beyond Chafee*, *supra* note 14, at 527–42. In fact, the Supreme Court's inequitable-conduct decision in *Precision* is frequently cited for the expansion of unclean hands for procedural protection. *See id.* at 530–31.
249. *See* 1 STORY, *supra* note 162, § 48, at 45 (describing abuse of process as one of the original grounds of equity jurisdiction). The protective purpose of unclean hands perhaps explains why courts rarely raise the issue of their own power to deny a statutory right or remedy. *See* Anenson, *Beyond Chafee*, *supra* note 14; Amy Coney Barrett, *Procedural Common Law*, 94 VA. L. REV. 813, 816, 879–88 (2008) (conceptualizing the federal courts' inherent power under a procedural common law).
250. Union Pac. R.R. v. Chi. & Nw. Ry., 226 F. Supp. 400, 410 (N.D. Ill. 1964) (citing CHAFEE, *supra* note 30, at 1). Courts consistently raise the clean-hands doctrine sua sponte. *See, e.g.*, Am. Ins. Co. v. Lucas, 38 F. Supp. 896, 921 (W.D. Mo. 1940) ("A court of equity is so jealous in guarding itself against such misuse that it will, sua sponte, apply the maxim whenever it discovers the unconscionable conduct."), *aff'd sub nom.*, Am. Ins. Co. v. Scheufler, 129 F.2d 143 (8th Cir. 1942).
251. *See generally* Anenson, *Beyond Chafee*, *supra* note 14, at 542–73 (developing a decision-making framework for the application of the unclean-hands doctrine across a four-part continuum of process-based protection and testing this theory with state and federal unclean-hands decisions).

concerns for the deterrence of future deviance.[252] Therefore, courts invoke the doctrine when misconduct interferes (or even has the potential to interfere) with the process of decision making.[253] As Justice Roberts pronounced in *Hazel-Atlas*: "No fraud is more odious than an *attempt* to subvert the administration of justice."[254]

The Supreme Court's patent decisions show the same concern for other quasi-judicial proceedings, such as the prosecution of a patent before the Patent Office.[255] Both *Keystone* and *Precision* relied on the Court's earlier decision in *Bein*, in which the Court justified dismissal because acquiring a right contrary to statutory policy places the Court in the position of being "'the abetter of iniquity.'"[256] The ruling in *Hazel-Atlas* emphasized the same fundamental purpose of the doctrine by refusing to aid a litigant who had perpetrated "a deliberately planned and carefully executed scheme to defraud not only the Patent Office but the Circuit Court of Appeals."[257] It further explained that "[t]ampering with the administration of justice . . . is a wrong against the institutions set up to protect and safeguard the public, institutions in which fraud cannot complacently be tolerated consistently with the good order of society."[258] *Precision* cited *Hazel-Atlas* in concluding that the application of unclean hands was appropriate because "[o]nly in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud.'"[259]

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252. *Id.* at 538–39.

253. *See id.* at 542–73 (detailing the Supreme Court's inequitable-conduct opinions).

254. Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 251 (1944) (Roberts, J., dissenting) (emphasis added).

255. *See* United States v. Am. Bell Tel. Co., 128 U.S. 315, 363 (1888) (commenting that the patentee procures the patent in a quasi-judicial proceeding).

256. Bein v. Heath, 47 U.S. (6 How.) 228, 247 (1848)); *see* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 814 (1945) (quoting *Bein*, 47 U.S. (6 How.) at 247); Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 245 (1933) (quoting *Bein*, 47 U.S. (16 How.) at 247). The intermediate court of appeals in *Keystone* framed the patentee's duty in relation to the Court. *See* Gen. Excavator Co. v. Keystone Driller Co., 62 F.2d 48, 50 (6th Cir. 1932), *aff'd*, 290 U.S. 240. It reasoned that while there may have been no duty to disclose a potential prior use to the Patent Office, the patentee had a duty not to buy the silence of a potential witness for the opposition. *See id.*

257. *Hazel-Atlas*, 322 U.S. at 245–46 (emphasizing that the fraud affected more than the litigants themselves).

258. *Id.* at 246.

259. *Precision*, 324 U.S. at 818 (quoting *Hazel-Atlas*, 322 U.S. at 246); *see also* Reply Brief for Petitioners at 22, *Precision*, 324 U.S. 806 (No. 377) (arguing that the unclean-hands doctrine should be forum law because "nothing could be more directly related to the law of the forum than the chancellor's concept of what conduct will bar a litigant from the court").

The Supreme Court has depended on its inequitable-conduct decisions in protecting other government decision-making processes. For example, *S&E Contractors* relied on both *Hazel-Atlas* and *Precision* when it pronounced that "fraud on an administrative agency or on the court enforcing the agency action is grounds for setting aside the judgment."[260] Another recent Supreme Court decision, *ABF Freight System, Inc. v. NLRB*[261] described wrongdoing during an administrative hearing that amounted to unclean hands as "a 'flagrant affront' to the truth-seeking function of adversary proceedings."[262] While the Court affirmed the agency decision to deny unclean hands under an abuse-of-discretion standard, the Court protested the agency decision to tolerate perjury because of potential procedural problems that might arise from claims relying on credibility as collateral.[263] Justice Scalia's concurring opinion endorsed *Precision*'s application of the unclean-hands doctrine to protect administrative processes by "clos[ing] the door of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant."[264] He added: "The principle that a perjurer should not be rewarded with a judgment—even a judgment otherwise deserved—where there is discretion to deny it, has a long and sensible tradition in the common law."[265]

c. Administrative Rule 56

An additional example of the *Therasense* majority's failure to account for the public interest in patent procurement is its rejection of the disclosure standard set forth by the Patent Office.[266] The

260. S&E Contractors, Inc. v. United States, 406 U.S. 1, 15 (1972) (citing *Precision*, 324 U.S. at 815; *Hazel-Atlas*, 322 U.S. 245).

261. 510 U.S. 317 (1994).

262. *Id.* at 323 ("False testimony in a formal proceeding is intolerable."); *see also id.* at 326–27 (Scalia & O'Connor, JJ., concurring) (discussing how inequitable conduct during an administrative process inevitably affects the courts). *See generally* Ford v. Douglas, 46 U.S. (5 How.) 143, 150–53 (1847) (discussing judicial abhorrence of judgments obtained by fraud).

263. *See ABF Freight*, 510 U.S. at 323.

264. *Id.* at 329–30 (Scalia & O'Connor, JJ., concurring) (quoting *Precision*, 324 U.S. at 814).

265. *Id.* at 329; *see also* Kendall-Jackson Winery, Ltd. v. Superior Court, 90 Cal. Rptr. 2d 743, 749 (Ct. App. 1999) ("[I]t is an equitable rationale for refusing a plaintiff relief where principles of fairness dictate that the plaintiff should not recover, regardless of the merits of his claim.").

266. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1293–94 (Fed. Cir. 2011) (en banc) (stating that it "does not adopt the definition of materiality in PTO Rule 56" and that it "declines to adopt the current version of Rule 56 in defining inequitable conduct because reliance on this standard has resulted in the very problems this court sought to address by taking this case en banc").

majority overruled its long-standing former practice that looked to the definition of materiality found in Rule 56 of the Patent Office as the starting point for determining the materiality element of inequitable conduct.[267] Rule 56's duty to disclose material information, which the *Therasense* majority rejected, did not mandate proof of unpatentability.[268] Rather, "[a] prima facie case of unpatentability is established when the information compels a conclusion that a claim is unpatentable."[269] Rule 56 also defines materiality as any information that "refutes, or is inconsistent with," any position taken by the applicant regarding patentability.[270]

While the Federal Circuit need not adopt Rule 56 as the sole determinant of materiality, its failure to allow the district court to even consider the compliance standard is contrary to Supreme Court patent and non-patent precedent showing deference to administrative-agency rulings in the application of the unclean-hands doctrine.[271] Significantly, the Supreme Court in *Precision* imposed a legal duty to disclose even before such a rule was promulgated by the Patent Office.[272]

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267. *See id.*; O'Connor, *supra* note 27, at 350–57 (detailing the symbiotic relationship between the Patent Office and Federal Circuit and calling it an "'echo chamber' phenomenon").

268. *See* 37 C.F.R. § 1.56 (2012). Two months after the Federal Circuit issued its en banc decision in *Therasense*, the Patent Office issued a notice of proposed rulemaking with respect to Rule 56. *See* Revision of the Materiality to Patentability Standard for the Duty To Disclose Information in Patent Applications, 76 Fed. Reg. 43,631, 43,631–34 (July 21, 2011). The proposed amended rule would modify the duty of disclosure by limiting the scope of materiality in a manner consistent with *Therasense*. *Id.* at 43,631. The rule would provide that information is material to patentability under the standard set forth in *Therasense* if "(1) [t]he [Patent] Office would not allow a claim if it were aware of the information, applying the preponderance of the evidence standard and giving the claim its broadest reasonable construction; or (2) the applicant engages in affirmative egregious misconduct before the Office as to the information." *Id.* at 43,633.

269. 37 C.F.R. § 1.56(b)(2).

270. *Id.*

271. *See, e.g.*, S&E Contractors, Inc. v. United States, 406 U.S. 1, 15 (1972). The Court in *ABF Freight* also left the choice of remedies to the lowest level decision maker in an unclean hands-like scenario involving employment. *See* ABF Freight Sys., Inc. v. NLRB, 510 U.S. 317, 325 (1994). The issue was whether an employee would forfeit back pay and reinstatement after testifying falsely during an administrative hearing under the Labor Act. *See id.* at 322 n.8. The National Labor Relations Board awarded both remedies and the Court ultimately upheld that decision. *See id.* at 335. While it cautioned that perjury in a formal proceeding, whether judicial or administrative, is "intolerable," the Court found that the statute left the Board broad remedial authority and discretion to effectuate the statutory policies. *Id.* at 323–24; *see also id.* at 330 (Scalia & O'Connor, JJ., concurring) (expressly determining the case under the doctrine of unclean hands). Scholars have criticized the Federal Circuit for its lack of deference to Patent Office rulings. *See, e.g.*, David Orozco, *Administrative Patent Levers*, 117 PENN ST. L. REV. 1, 38–44 (2012).

272. *See* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 818 (1945). The Patent Office created its Rules of Practice in 1949. O'Connor, *supra*

The Court's decisions on illegality, often associated with the doctrine of unclean hands, also demonstrate its willingness to give legal effect to procedural rules meant to prevent public harm.[273] In *Weil v. Neary*,[274] for instance, a bankruptcy rule forbade an attorney to be counsel for both creditors and trustees without the approval of the bankruptcy court.[275] In a unanimous decision, the Court reversed the enforcement of the contract and fee recovery, declaring the contract void as a "violation of public policy and professional ethics," even though there was no actual fraud and the results benefitted the estate.[276] The Court explained that "[w]hat is struck at in the refusal to enforce contracts of this kind is not only actual evil results but their tendency to evil in other cases."[277] It emphasized that "[e]nforcement of such contracts when actual evil does not follow would destroy the safeguards of the law and lessen the prevention of abuses."[278] Moreover, similar to *Hazel-Atlas*, in which the Supreme Court resolved any doubt regarding patent validity due to nondisclosure against the patentee,[279] the Court in *Weil* found that because the party had violated a rule requiring disclosure, it would not consider whether the bankruptcy court would have allowed the joint representation.[280] Resembling its rulings on unclean hands, the Supreme Court made clear in *Weil* that the public interest extends to protect procedure despite an absence of private harm.[281]

Consequently, whether assessing the potential private benefit of the unclean conduct or its corresponding public injury, courts considering equitable principles never ruled that the ends justify the means until *Therasense*.[282] The *Therasense* majority's new "no harm, no foul" maxim of materiality is contrary to precedent and misconceives the equitable nature of inequitable conduct.

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note 27, at 338. The rules were revised in 1977, recodified in 1992, and amended again in 2000. *See id.* at 345 (detailing the history of Rule 56).

273. *See* discussion *infra* Part II.C.1–2.a.

274. 278 U.S. 160 (1929).

275. *See id.* at 168.

276. *Id.* at 173–74.

277. *Id.* at 173. ("The contract is contrary to public policy—plainly so.").

278. *See id.* at 173–74.

279. *See* Hazel-Atlas Glass Co. v. Hart-Ford-Empire Co., 322 U.S. 238, 246–57 (1944) (estopping the patentee from arguing that the spurious article did not affect the appellate decision on patentability because it was the patentee's fault in preventing the Court from hearing the complete truth).

280. *Weil*, 278 U.S. at 171.

281. *See id.* at 171, 173.

282. *See, e.g.*, ABF Freight Sys., Inc. v. NLRB, 510 U.S. 317, 329–30 (1994) (concluding that equitable principles preclude the allowance of tainted means to determine remedy).

3. Common-law fraud

The *Therasense* majority further justified its decision that the conduct must affect the Patent Office decision to grant the patent because "[c]ommon law fraud requires proof of reliance, which is equivalent to the but-for test for materiality set forth in this opinion."[283] Tort principles may provide instruction on whether materiality mandates patentability,[284] but common-law fraud is an inappropriate analogy.

As discussed above, unclean-hands decisions are clear that the defense is broader than just fraud.[285] Moreover, "equitable," rather than common-law, fraud is a more appropriate analog. It should be highlighted that the doctrine of unclean hands is considered part of the broader notion of equitable fraud that first provided a basis for equitable intervention.[286] Traditionally, fraud in equity included agreements that violated rules furthering the administration of justice, like Patent Office Rule 56, or rules otherwise affecting public relations by interfering with legislative, executive, or judicial proceedings.[287] Equitable fraud did not require detrimental reliance, just as it did not require a specific intent to deceive.[288]

4. Affirmative acts exception

The majority decision in *Therasense* requiring proof of invalidity to trigger inequitable conduct is inconsistent with the Supreme Court's inequitable-conduct decisions. The majority acknowledged that none of those cases required proof of invalidity to satisfy the defense.[289]

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283. Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1295 (Fed. Cir. 2011) (en banc).

284. *See supra* notes 182–184 and accompanying text.

285. *See* discussion *supra* Part II.B.

286. *See* discussion *supra* Part II.B. Story advised:

> It is not easy to give a definition of Fraud in the extensive signification in which that term is used in Court of Equity; and it has been said that these court have, very wisely never laid down as a general proposition what shall constitute fraud, or any general rule beyond which they will not go upon the ground of fraud, lest other means of avoiding the equity for the courts should be found out.

1 STORY, *supra* note 162, § 186, at 200 (footnote omitted).

287. *See* 1 POMEROY, *supra* note 46, § 400, at 742–45; SNELL, *supra* note 122, at 441.

288. In contrast to positive fraud, which required an intent to deceive and reliance, Story explained that constructive fraud in equity included situations involving confidential relations, imbalances of power, and agreements against public policy (including abuses of judicial processes). *See* 1 STORY, *supra* note 162, §§ 258–259, at 265–66. An imbalance of power and fiduciary-type relationship is arguably associated with the patentee's dealings with the Patent Office. *See infra* note 481 and accompanying text.

289. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1287 (Fed. Cir. 2011) (en banc); *see also* James J. Schneider, Therasense-*Less: How The Federal Circuit Let Policy Overtake Precedent In* Therasense, Inc. v. Becton, Dickinson & Co., 53

Therefore, in order to distinguish those decisions, the *Therasense* majority attempted to tether the trio of Supreme Court cases to their facts.[290] The majority held that a litigant could avoid showing that the hidden information would have invalidated the patent if there was evidence of "affirmative egregious misconduct."[291] Citing *Keystone*, *Hazel-Atlas*, and *Precision*, the *Therasense* majority further explained that materiality would include an "unmistakably false affidavit" or a "deliberately planned and executed scheme" to defraud the Patent Office and the courts.[292]

The majority's exception to materiality conflates the two traditional elements of unclean hands. To reiterate, courts considering the potential uncleanliness of the litigant's hands examine all the circumstances, including both state of mind and action.[293] Anything less than a "pure conscience" and "pure hands" may disqualify the litigant seeking the aid of equity under the clean-hands doctrine.[294] Besides, inequitable conduct in *any* form is the metric. Distinguishing what was done from what was omitted, as the *Therasense* majority opinion suggests, will likely prove problematic in practice.[295] In applying the unclean-hands doctrine, the Supreme

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B.C. L. REV. E-SUPP. 223, 233–34 (2012) (criticizing the court for failing to follow Supreme Court precedent).

290. *See Therasense*, 649 F.3d at 1293. Whatever may become of this exception in the district courts, the majority's approach also contravenes the actual facts in *Precision*. For instance, in *Precision*, despite there being "no active concealment[] or misrepresentation," Brief for Respondent, *supra* note 239, at 3 (quoting Auto. Maint. Mach. Co. v. Precision Instrument Mfg. Co., 143 F.2d 332, 338 (7th Cir. 1944), *rev'd*, 324 U.S. 806 1381 (1945)), the Supreme Court found a duty to report the known fraud to the Patent Office. *Precision*, 324 U.S. at 818.

291. *Therasense*, 649 F.3d at 1292.

292. *See id.* at 1292–93 (quoting Hazel-Atlas Glass Co. v. Hart-Ford-Empire Co., 322 U.S. 238, 245 (1944)) (asserting that all three of these cases "dealt with egregious misconduct").

293. *See* discussion *supra* Part II.A.

294. Manhattan Med. Co. v. Wood, 108 U.S. 218, 227 (1883) (describing unclean hands in a trademark intellectual property case as "pure hands and a pure conscience" (citation omitted)); Buchannon v. Upshaw, 42 U.S. (1 How.) 56, 82 (1843) (detailing the argument of counsel espousing "clean hands and a pure heart"); United States v. Schooner Betsey & Charlotte, 8 U.S. (4 Cranch) 443, 445 (1808) (same).

295. *See* Lee F. Johnston, *The* Therasense *Decision: Just What the Doctor Ordered or Will the Inequitable Conduct Plague Mutate and Survive?*, INTELL. PROP. & TECH. L.J., Sept. 2011, at 14, 17 ("[T]here are concerns the majority may have created a new strain of litigation by distinguishing inequitable conduct from the unclean hands doctrine . . . ."). To add to the confusion, the majority also cited to acts and omissions. *See Therasense*, 649 F.3d at 1292. *Compare* Rohm & Haas Co. v. Crystal Chem. Co., 722 F.2d 1556, 1571 (Fed. Cir. 1983) ("[T]here is no room to argue that submission of false affidavits is not material."), *with* Refac Int'l, Ltd. v. Lotus Dev. Corp., 81 F.3d 1576, 1583 (Fed. Cir. 1996) (finding the intentional omission of declarant's employment with inventor's company rendered the affidavit false and that "[a]ffidavits are inherently material").

Court has never distinguished between misconduct involving non-disclosure,[296] concealment,[297] and fraudulent misrepresentation.[298] Modern courts also treat active concealment and nondisclosure as misrepresentation depending on the circumstances.[299] Such distinctions are reminiscent of the archaic common law that engendered equitable intervention.[300] It bears repeating that the doctrine of unclean hands is a principle of equitable fraud. Whether the inequity is "done or omitted" in determining fraud was a distinction without a difference.[301] The inequitable method is only relevant to the quality and quantum of proof.

Accordingly, neither the fact-based *Therasense* general rule requiring invalidity, nor its equally formalistic exception, accounts for the discretionary nature of the connection component of inequitable conduct.[302] The closeness of the connection is based on both facts and values. As announced in the original *Dering* decision, the application of the unclean-hands doctrine is a "legal," not a strictly moral (or factual), judgment.[303]

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296. *See, e.g.*, Galloway v. Finley, 37 U.S. (12 Pet.) 264 (1838); Cathcart v. Robinson, 30 U.S. (5 Pet.) 264 (1831).

297. Crosby v, Buchanan. 90 U.S. (23 Wall.) 420, 457 (1874).

298. *See, e.g.*, Kitchen v. Rayburn, 86 U.S. (19 Wall.) 254 (1873); Bein v. Heath, 47 U.S. (6 How.) 228 (1848).

299. *See, e.g.*, Jay Dad Assocs. v. C&G Mgmt. Corp., No. A-6190-06T2, 2009 WL 17940, at *6 (N.J. Super. Ct. App. Div. Jan. 2, 2009) (per curiam) (citing Baron v. Buermann, 142 A. 248 (N.J. Ch. 1928)) (finding nondisclosure and fraudulent misrepresentation as unclean hands); *see also* MALLOR ET AL., *supra* note 237, at 361–62 (discussing the duty to disclose for purposes of rendering a contract unenforceable). For other decisions finding silence as unclean hands, see, for example, Cal-Wool Mktg. Ass'n v. O'Connor Livestock Co., 184 F. Supp. 157 (D. Or. 1960) (silence constitutes unclean hands); Keller v. Linsemyer, 139 A. 33 (N.J. Ch. 1927) (artful silence gets an advantage); and Everett v. Bodwell, 38 S.E.2d 319 (Va. 1946) (wrongful concealment of important facts).

300. *See, e.g.*, Walter Wheeler Cook, *Equity*, *in* 5 ENCYCLOPAEDIA OF THE SOCIAL SCIENCES 580, 582–88 (Edwin R.A. Seligman & Alvin Johnson eds., 1931) (discussing the substantive and doctrinal shortcomings in the common law and rigidity of the common law courts' writ system); *see also Crosby*, 90 U.S. (23 Wall.) at 454 (dismissing a claim of unclean hands and ruling that "[i]n a court of conscience deliberate concealment is equivalent to deliberate falsehood").

301. Both actual and constructive fraud in equity includes what is "done or omitted." EATON, *supra* note 160, § 122, at 287. The difference between them is the state of mind. *See id* §§ 122–123, at 287. Actual fraud is the design to perpetrate fraud or to injure others, while constructive fraud is considered a fraud to protect the public interest. *Id.* § 122, at 287.

302. *See generally* John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771 (2003) (discussing the Federal Circuit's tendency toward adjudicative formalism in patent jurisprudence over two decades).

303. *See* Dering v. Winchelsea, (1787) 29 Eng. Rep. 1184, 1185.

D. Sliding Scale

In addition to changing the elements of inequitable conduct contrary to the tradition of the unclean-hands doctrine, the *Therasense* majority also removed them from the sliding scale.[304] After *Therasense,* trial courts no longer have discretion to consider intent and materiality in tandem.[305] Again, an analysis of Supreme Court cases and other decisions on unclean hands indicates that the court erred in overruling its own sliding-scale approach to inequitable conduct.

In considering unclean hands, courts employ stricter rules of relatedness for inadvertence and allow a more liberal connection for increasing levels of cognition. Put differently, similar to liability in tort,[306] courts tend to impose greater responsibility upon those who intended to do harm than upon those who possessed a lesser state of mind.[307] In articulating the unclean-hands doctrine in trademark litigation, the Supreme Court held that if there is a willful false statement, it need not necessarily be misleading for the lower court to find a violation of the unclean-hands doctrine.[308] Concomitantly, court opinions finding unclean hands for innocent misrepresentation generally show that the statement induced someone to act to his or her detriment.[309] It was therefore a mistake for the *Therasense*

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304. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1290–93 (Fed. Cir. 2011) (en banc).

305. *See id.* at 1290.

306. *See* KEETON ET AL., *supra* note 131, § 8, at 37 (noting that courts have worked out a sliding scale, under which a defendant who acts intentionally is subject to more extensive liability). The doctrine of unclean hands has been described as tortious, applying to conduct that is fraudulent, willful, and negligent. *See* LAYCOCK, *supra* note 12, at 70 (describing unclean hands as illegal or tortious conduct); Paul Finn, *Unconscionable Conduct,* 8 J. CONT. L. 37, 42 (1994) (considering equitable theories as developing a new breed of tort); *see also* Thompson v. Orcutt, 777 A.2d 670, 674 (Conn. 2001) (suggesting unclean hands includes fraud as well as intentional, negligent, and innocent misrepresentation). Patent infringement is also considered the tortious taking of property. *See* Carbice Corp. of Am. v. Am. Patents Dev. Corp., 283 U.S. 27, 33 (1931) (considering infringement of a patentee's rights, whether direct or contributory, as essentially a tort).; Dowagiac Mfg. Co. v. Minn. Moline Plow Co., 235 U.S. 641, 648 (1915) (explaining the patent infringement as a tortious taking of property with the normal damages being the value of what was taken).

307. *See generally* Nagano v. McGrath, 187 F.2d 753, 758 (7th Cir. 1951) (pronouncing that it is not so much the effect of conduct, as the intent with which it is performed); Quieroz v. Harvey, 205 P.3d 1120, 1122 (Ariz. 2009) (en banc) (declaring that it is the moral intent of the party, and not the actual injury inflicted, that is controlling in determining unclean hands).

308. *See* Worden v. Cal. Fig Syrup Co., 187 U.S. 516, 531 (1903) (relying on English precedent cited with approval in Manhattan Medicine Co. v. Wood, 108 U.S. 218, 225 (1883)).

309. *See, e.g.,* Kackley v. Webber, 220 S.W.2d 587, 589 (Ky. Ct. App. 1949). A finding that the patent claim is unenforceable for inequitable conduct premised on an innocent misrepresentation would be substantially equivalent to the invalidity

majority to detach the components of the unclean-hands doctrine and deny the district court discretion to collectively discern them. The majority's decision illustrates another historical anomaly in equating materiality and patent validity—raising the state of mind to intent to deceive should permit a lower level of materiality.

In summary, the majority in *Therasense* eschewed the history of inequitable conduct by removing the district court's discretion. The en banc decision recalibrated the defense and made the conditions of its application depend on evidentiary inquiries considered in isolation. Rather than heeding the Supreme Court's instruction that the doctrine of unclean hands is "not bound by formula,"[310] the majority delineated precise factual formulas and reasoning requirements that permanently weighted the balance against the defense. In defining the intent component, the majority limited the Supreme Court's inequitable-conduct decisions to their facts. For the materiality component, the majority contravened them. The majority admitted that its newly created elements are more restrictive than the inequitable conduct doctrine originally announced by the Supreme Court. In fact, the majority turned these cases on their heads and relegated them to an unworkable exception. The majority's redefinition of inequitable conduct is also inconsistent with the Supreme Court's other non-patent decisions on the unclean-hands doctrine that track equity jurisprudence. As a result, the majority in *Therasense* disregarded the elements of the unclean-hands doctrine, as well as the district court's discretion to determine them. The next section critiques its justification for changing inequitable conduct in practice.

III. EQUITY'S PROGRESS: THE PRACTICE OF INEQUITABLE CONDUCT

Like the majority's opinion in *Therasense*, a good deal of thinking in mainstream patent law today concentrates on the practical consequences of an inequitable-conduct defense to the exclusion of its origins in equity.[311] Given that tradition is a necessary starting point under Supreme Court precedent, this Article adds a valuable, retrospective account of inequitable conduct in light of its history in

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defense and suggests that something beyond simple mistake would be appropriate for dismissal. *See* discussion *supra* notes 131, 164 (discussing the invalidity defense).

310. Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 245–46 (1933).

311. *See, e.g.*, Cotter, *supra* note 6, at 752 ("Although a more traditional view would locate the inequitable conduct doctrine in considerations of ethics and—as the name of the doctrine implies—equity, from an economic perspective the doctrine can be thought of as a tool for encouraging patent applicants and their agents to disclose information to the USPTO.").

the doctrine of unclean hands and its modern use in federal decisions. But consequences are still important.[312] Equity has never been merely a matter of theory, but an affair of experience. Examining policy-oriented outcomes is especially significant for doctrines of equity, including the doctrine of unclean hands, that developed to ensure the law achieved its purposes.[313]

While scholars of private law typically support equitable defenses because their relative obscurity permits fairness-based adjudication without sacrificing the conduct values of the particular legal claim,[314] the application of equitable defenses in public law may be well known.[315] Perhaps because an equitable injunction is the most valuable remedy available to the patent holder,[316] the interpretation and application of inequitable conduct regulates behavior and any theory, traditional or otherwise, must account for that possibility.[317]

The following discussion explains how the absence of equity in the former decisions of the Federal Circuit contributed to the expansion

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312. *See* BENJAMIN N. CARDOZO, THE NATURE OF THE JUDICIAL PROCESS 65 (1921) ("[W]hen the social needs demand one settlement rather than another, there are times when we must bend symmetry, ignore history and sacrifice custom in the pursuit of other and larger ends."); Smith, *supra* note 160, at 20 n.9 (noting that even Oliver Wendell Holmes, one of the Supreme Court's most accomplished legal historians, never countenanced the blind adherence to history for history's sake but approached it with a balanced view).

313. Courts decline to apply unclean hands if it is contrary to legislative intent, *see, e.g.*, Gardner v. Gardner, 110 S.E.2d 495, 502 (W. Va. 1959), or if its application would frustrate the purpose of the statute, *see, e.g.*, Messick v. Smith, 69 A.2d 478, 481 (Md. 1949). Because much of equity developed as an incomplete system of law, courts applying equitable principles had to consider their effect on the law. *See* MEAGHER ET AL., *supra* note 111, at 451 (explaining that while equitable principles originated in ethical concepts or "in conscience," "not all morality is to be encompassed by equity jurisdiction; the selection of what offends conscience is, ultimately, a matter of judicial policy").

314. *See* Emily L. Sherwin, *Law and Equity in Contract Enforcement*, 50 MD. L. REV. 253, 308 (1991) (concluding that public ignorance allows courts to use the equitable defense of fairness to achieve justice without sacrificing the pursuit of stability in contract law); *see also* Meir Dan-Cohen, *Decision Rules and Conduct Rules: On Acoustic Separation in Criminal Law*, 97 HARV. L. REV. 625, 630–34 (1984) (advancing a condition of "acoustic separation" that assumes that a rule of conduct and a standard of decision, such as the equitable doctrine of "clean hands," can operate in tandem and fulfill the policy functions of both precepts so long as the public is at least partially unaware that the rigid rule is actually more lenient in application).

315. *See* Anenson & Mayer, *supra* note 215, at 979–82 (considering the concept of acoustic separation in relation to the assertion of the unclean-hands doctrine against those seeking to enforce executive pay contracts).

316. *See* Bryan E. Webster & Steven Walmley, *Unclean Hands and Preliminary Injunctions: The Effects of Delay in Bringing Patent Infringement Cases*, 84 J. PAT. & TRADEMARK OFF. SOC'Y 291, 291 (2002).

317. *See, e.g.*, Note, *supra* note 73, at 1504 (discussing the issue of when is it desirable for one government function to aid the legitimate purposes of another). Equitable remedies have a deterrence function. *See* Hecht Co. v. Bowles, 321 U.S. 321, 329 (1944) ("The historic injunctive process was designed to deter, not to punish.").

of inequitable conduct, its abuse pre-*Therasense*, and how the presence of equity may appropriately constrain the defense in the future.

A. Former Federal Circuit Decisions

While the majority in *Therasense* defended overruling its former precedent in an effort to eliminate the negative impact of inequitable conduct in practice, it mistakenly attributed the criticisms of the defense to equity.[318] The chief complaints associated with inequitable-conduct law leading up to the *Therasense* decision were that it had become so unclear, inconsistent, and broad as to cause litigation abuse.[319] Yet it was not the tradition of inequitable conduct, but the Federal Circuit's failure to follow it, that resulted in problems with the defense.

1. Clarity and consistency

A concern with the Federal Circuit's pre-*Therasense* rulings on inequitable conduct was that the law was neither clear nor consistent.[320] The *Therasense* majority explained that the Federal Circuit embraced the reduced standards to foster full disclosure to the Patent Office, but that the expansion had unintended consequences.[321] The majority justified restricting the defense by suggesting that it was the equitable nature of the rule itself that was causing the confusion by offering Lord Seldon's historic criticism that equity changes according to the length of the chancellor's foot.[322] It appears, however, that the Federal Circuit was the cobbler changing inequitable conduct's shoe size.[323]

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318. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1289, 1293 (Fed. Cir. 2011) (en banc).

319. *See id.* at 1290 ("While honesty at the PTO is essential, low standards for intent and materiality have inadvertently led to many unintended consequences, among them, increased adjudication cost and complexity, reduced likelihood of settlement, burdened courts, strained PTO resources, increased PTO backlog, and impaired patent quality."); *see also* Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 1454 (Fed. Cir. 1984) (indicating that the inequitable-conduct tactic has been overplayed and has cluttered the patent system).

320. *See* Goldman, *supra* note 23, at 74–75 (surveying the Federal Circuit's inconsistent application of its inequitable-conduct precedents).

321. *See Therasense*, 649 F.3d at 1288 ("[I]nequitable conduct has become a significant litigation strategy.").

322. *See id.* at 1293 (concluding that equitable rules serve important purposes, including reducing uncertainty, and that the "alternative would be as arbitrary and uncertain as measuring distance by the length of each chancellor's foot" (quoting Lonchar v. Thomas, 517 U.S. 314, 323 (1996) (internal quotation marks omitted)).

323. *See generally id.* at 1287 (discussing the evolution of the doctrine of inequitable conduct and its divergence from the unclean-hands doctrine); Goldman, *supra* note 23, at 74–75 (noting that Federal Circuit inequitable-conduct decisions

The *Therasense* majority admitted that "the standards for intent to deceive and materiality have fluctuated over time."[324] Indeed, the Federal Circuit has been to extremes in its interpretation and application of inequitable conduct. It began liberalizing the doctrine in a series of cases before abruptly changing course in *Therasense*.[325] While expansion and contraction is characteristic of any judge-made doctrine over time,[326] change typically occurs at a gradual pace.[327] Justice Benjamin Cardozo used the metaphor of a glacier to describe the incremental modification process of judge-made laws whose "effects must be measured by decades and even centuries."[328] "Thus measured," Cardozo explained, "they are seen to have behind them the power and the pressure of the moving glacier."[329] Rather than being the deep and steady foundation of a glacier, Federal Circuit precedent has been shallow and unstable, which contributed to the unsettled and unsatisfactory law of inequitable conduct. A related complication was the recognition of multiple standards that added unnecessary complexity to the inequitable-conduct inquiry.[330] Rather than repeated re-*interpretation*, an equitable approach would have provided the district court discretion in *application*.[331]

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had inconsistent results similar to the regional courts before it).

324. *Therasense*, 649 F.3d at 1287.

325. *Id.* at 1288; *see e.g.*, Am. Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350, 1362–63 (Fed. Cir. 1984) (implementing a "sliding scale" of inequitable-conduct analysis that reduced the required showings of intent and materiality and held patents unenforceable where one of the two factors was strongly established), *abrogated by Therasense*, 649 F.3d at 1288–90.

326. *See generally* Wilson Huhn, *The Stages of Legal Reasoning: Formalism, Analogy, and Realism*, 48 VILL. L. REV. 305, 307 (2003) ("The law evolves from rules to standards and back again in an unending cycle of assimilation and accommodation.").

327. *See generally* Peter Birks, *Three Kinds of Objection to Discretionary Remedialism*, 26 U.W. AUSTL. L. REV. 1, 13 (1996) ("Interpretative change depends on continuity. It cannot ignore the intervening centuries.").

328. CARDOZO, *supra* note 312, at 25.

329. *Id.*

330. *See* Goldman, *supra* note 23, at 53–55 (summarizing Federal Circuit decisions as providing three tests of materiality and two tests of intent); Kate McElhone, *Inequitable Conduct: Shifting Standards for Patent Applicants, Prosecutors, and Litigators*, 17 TEX. INTELL. PROP. L.J. 385, 393 (2009) ("Despite the PTO's adoption of [a] single, objective standard for materiality, subsequent Federal Circuit opinions referred to as many as five different tests . . . ."). In *American Hoist*, the Federal Circuit declared that courts have used at least other three materiality standards: "(1) an objective 'but-for' standard, (2) a subjective 'but-for' standard, and[] (3) a 'but it may have' standard," under which courts asked whether the involved facts might reasonably have impacted the examiner's decision regarding patentability. 725 F.2d at 1362. The Federal Circuit described the third standard as "strikingly similar" to Rule 56. *Id.*

331. See *infra* Part III.C.2 for jurisdictions that disfavor unclean hands. The Supreme Court has also instructed that trial court discretion in determining unclean hands should be exercised carefully when denying statutory rights that fulfill important public policies.

Equally problematic has been the court's approach to appellate review. Cardozo said that a system of appeals assures that "[t]he tide rises and falls, but the sands of error crumble."[332] Not so with the Federal Circuit. Practitioners commenting on the inequitable-conduct defense have raised concerns that the problem of clarity and consistency lies at the appellate, rather than the trial, level.[333] It is axiomatic that if there are discretionary standards involved in decision making, an appellate court must accept the exercise of discretion and be deferential to the trial judge.[334] Otherwise, the law will be changed.[335] Without the foundation of the unclean-hands doctrine and the discretion to discern the doctrine within the context of each case, Federal Circuit decisions on inequitable conduct have lacked the stability and consistency valued in adjudication.[336] Inequitable conduct has been a "roguish thing" in the Federal Circuit[337]—*Therasense* simply represents the latest iteration.

2. Containment

Another concern pre-*Therasense* was that inequitable-conduct law had become so broad that the dominant strategy had been to flood the Patent Office with extraneous references in order to bury the relevant ones.[338] The breadth of the doctrine also encouraged

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332. CARDOZO, *supra* note 312, at 177.

333. *See, e.g.*, Goldman, *supra* note 23, at 86–87 (positing that the problem with inequitable conduct is not simply the conflicting standards set by the Federal Circuit but also the inconsistency in its application and appellate review); Laurence H. Pretty, *Inequitable Conduct in the PTO—Is the "Plague" Entering Remission?*, 71 J. PAT. & TRADEMARK OFF. SOC'Y 46, 46 (1989) ("If the defense has reached the stage of a plague, the Federal Circuit itself has been to some extent its carrier by the inconsistency of its decisions in recent years."). Not until *Kingsdown* did the Federal Circuit move to an abuse-of-discretion standard of review for inequitable conduct that was consistent with its equitable roots and solved the practical problem of limiting appeals. Goldman, *supra* note 23, at 86–87 (citing Kingsdown Med. Consultants, Ltd. v. Hollister Inc., 863 F.2d 867 (Fed. Cir. 1988) (en banc)).

334. *Kingsdown*, 863 F.2d at 876 (holding that the determination of inequitable conduct is left to the trial court and is only reviewable under a standard of abuse of discretion); Cravens, *supra* note 17, at 958.

335. Cravens, *supra* note 17, at 958. *See generally* Richard L. Marcus, *Slouching Toward Discretion*, 78 NOTRE DAME L. REV. 1561, 1563 (2003) ("The standard of review, of course, is an important measure of discretion in the trial court).

336. *See* Goldman, *supra* note 23, at 97 (commenting on the lack of uniformity in the court's decisions and citing other commentators who had made similar observations).

337. *See* TABLE TALK OF JOHN SELDEN 43 (Frederick Pollock ed., 1927) ("Equity is A Roguish Thing, for Law wee have a measure know what to trust too. Equity is according to the conscience of him that is Chancellor, and as that is larger or narrower soe is equity. Tis all one as if they should make the Standard for the measure wee call A foot, to be the Chancellor's foot; what an uncertain measure would this be; One Chancellor has a long foot another A short foot a third an indifferent foot; tis the same thing in the Chancellor's Conscience.").

338. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1289 (Fed.

alleged infringers to raise the defense even in unmeritorious cases.[339] The *Therasense* majority explained that the defense "cast[s] the shadow of a hangman's noose" in rendering the entire patent unenforceable.[340] As a result, the majority decided to curtail the defense because its "far-reaching consequences" had caused it to become an overly-employed litigation tactic.[341]

Again, it appears to be the decisions of the Federal Circuit, rather than the equitable nature of inequitable conduct, that have resulted in the doctrine's broad scope and corresponding abuse. The court's rulings had raised the litigation stakes so high as to incentivize the over-pleading of the defense and the over-disclosure of references in the judicial and administrative processes. Unlike the more limited nature of the Supreme Court rulings, if there is inequitable conduct as to one patent claim, the Federal Circuit has directed district courts to dismiss all patent claims in all future cases.

a. All cases

Federal Circuit precedent establishes that an adverse ruling on inequitable conduct forever forecloses litigation of that issue in the future. In *Therasense*, the majority reiterated that its rulings on inequitable conduct had "diverged from the doctrine of unclean hands by adopting a different and more potent remedy—unenforceability of the entire patent rather than mere dismissal of the instant suit."[342]

An explanation for the court's deviance from the tradition of equity as announced by the Supreme Court can be traced to *General Electro Music Corp. v. Samick Music Corp.*[343] Perhaps as a preview to *Therasense*, the Federal Circuit found that Supreme Court precedent subjecting patent-invalidity determinations to collateral estoppel applied equally to unenforceability adjudications involving inequitable conduct.[344] Equating unenforceability with patentability

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Cir. 2011) (en banc) (citing a "tidal wave of disclosure" that complicates the identification of relevant prior art).

339. *See* Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 1454 (Fed. Cir. 1984) (commenting that assertions of inequitable conduct have been "cluttering up the patent system").

340. *Therasense*, 649 F.3d at 1289.

341. *See id.* at 1289.

342. *Id.* at 1287.

343. 19 F.3d 1405 (Fed. Cir. 1994).

344. *See id.* at 1413 ("The principle of *Blonder-Tongue*... respecting collateral estoppel also applies to unenforceability." (citing Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found., 402 U.S. 313 (1971))). The Court in *Blonder-Tongue* recognized that defensive non-mutual collateral estoppel precludes recovery by a patentee in the second action. 402 U.S. at 210–21. The Federal Circuit reaffirmed its holding in

in ascertaining collateral estoppel is reminiscent of the court's vision of a patent as an absolute property right.[345] This rationale is inconsistent with the role of inequitable conduct as a remedial defense and, accordingly, the Supreme Court's decision in *eBay*.[346]

Similar to unclean hands, collateral estoppel is an equitable doctrine subject to trial-court discretion.[347] Even if the conditions are present for its application,[348] collateral estoppel will not apply if unfairness or manifest injustice would result.[349] Circumstances that justify an opportunity to re-litigate an issue include the potential adverse impact on the public interest[350] and whether the prior determination was affected by relationships among the parties to the first action that are not present in the second action.[351]

Pharmacia & Upjohn Co. v. Mylan Pharmaceuticals, Inc., 170 F.3d 1373 (Fed. Cir. 1999), and proclaimed that "[a]n unrelated accused infringer may likewise take advantage of an unenforceability decision under the collateral estoppel doctrine." *Id.* at 1379.

345. BURK & LEMLEY, *supra* note 10, at 68–69, 137 (explaining the Federal Circuit's decision in *eBay* on the ground that patents are absolute property rights and discussing theories of patent law and the extent of integration with property).

346. eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006). Recall that the Supreme Court in *eBay* held that there is no automatic grant of a permanent injunction any time infringement and validity is adjudged. *Id.* at 394. Instead, according to settled principles of equity, the district court was given discretion to decide whether the four-factor test of irreparable injury, inadequacy of remedies at law, balance of hardships favoring the party seeking the injunction, and the public interest was satisfied. *Id.* at 391. The Court distinguished right from remedy in reaching its decision. *Id.*; *accord* Fischer, *supra* note 18, at 559–60 (noting how *eBay* changed the theory of injunctive relief for intellectual property rights violations that rested on the view that the patent was a property right). It ruled that the patent holder's exclusive statutory right to exclude others from using or selling the invention does not render a permanent injunction appropriate any time a patent is infringed. *eBay*, 547 U.S. at 394. An extension of the Supreme Court's reasoning in *eBay* suggests that a theory of property should neither supply the baseline for separating equitable from inequitable conduct nor determine its consequences in subsequent litigation.

347. In *Blonder-Tongue*, a unanimous Supreme Court declared: "[A]s so often is the case, no one set of facts, no one collection of words or phrases, will provide an automatic formula for proper rulings on estoppel pleas. In the end, decision will necessarily rest on the trial courts' sense of justice and equity." 402 U.S. at 333–34.

348. The application of collateral estoppel generally requires an identity of issue and a full and fair opportunity to contest the prior decision. Abbott Labs. v. Andrx Pharms., Inc., 473 F.3d 1196, 1202 (Fed. Cir. 2007). If these requirements are met, collateral estoppel may prevent a party from relitigating an issue, which has previously been decided. *See id.* at 1202–03 (explaining that *Blonder-Tongue* permitted the defensive use of collateral estoppel and noting that general principles of collateral estoppel, such as finality of judgment, are not within the court's exclusive jurisdiction).

349. *See, e.g.*, S & S Auto. v. Checker Taxi Co., 520 N.E.2d 929, 935 (Ill. Ct. App. 1988) (citing principles of equity and fairness in declining to apply collateral estoppel).

350. RESTATEMENT (SECOND) OF JUDGMENTS § 28(5), cmt. g (1982) (providing the rationale for section five that "the policy supporting issue preclusion is not so unyielding that is must invariably be applied, even in the face of strong competing considerations").

351. *Id.* § 29(5), cmt. g (citing a case where the prior judgment involved

In determining the unclean-hands doctrine, courts consider the availability of other incentives for compliance and, correspondingly, the potential unfairness of a double penalty in the event of a dismissal.[352] Also important is that the unclean-hands calculus could be correlative.[353] As the Ninth Circuit explained:

> The court must weigh the substance of the right asserted by plaintiff against the transgression which, it is contended, serves to foreclose that right. The relative extent of each party's wrong upon the other and upon the public should be taken into account, and an equitable balance struck.[354]

Given the relational nature of the inquiry, a district court considering the unclean hands of a patentee may apply inequitable conduct in a case involving innocent infringement, while another court may appropriately decline to dismiss for the same inequitable conduct on the basis of collateral estoppel in a subsequent case of willful infringement. Thus, while unclean hands may provide the basis for collateral estoppel, determining the preclusive effect of an inequitable-conduct ruling requires considering the reason for the former decision and public policy.[355]

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assessment of comparative fault).

352. Gen. Elec. Co. v. Klein, 129 A.2d 250, 251 (Del. Ch. 1956) (ruling that a "repentant sinner, especially where he has been duly punished, is not unwelcome in equity"). In *Johnson v. Yellow Cab Transit Co.*, a majority of the Supreme Court determined that the clean-hands doctrine should not apply despite the potential violation of federal law because there were other ways to enforce the law and to deter future violations. *See* 321 U.S. 383, 392–93 (1944). Similarly, in *A.C. Frost & Co. v. Coeur d'Alene Mines Corp.*, the Supreme Court reversed the state court judgment at law to dismiss a contract action to recover attorney fees despite the violation of the securities law. *See* 312 U.S. 38, 39, 45 (1941). The Court reasoned that there were already criminal and other penalties against the corporation so it would not go further and make the deal void. *See id.* at 42–43. Likewise, in *ABF Freight Sys., Inc. v. NLRB*, the Court deferred to an administrative ruling that denied the dismissal of the case for perjury in part by noting there were other incentives for compliance. *See* 510 U.S. 317, 322–25 (1994).

353. Dunlop-McCullen v. Local 1-S, AFL-CIO-CLC, 149 F.3d 85, 90 (2d Cir. 1998) (declaring that the "doctrine of unclean hands also may be relaxed if [the] defendant has been guilty of misconduct that is more unconscionable than that committed by [the] plaintiff" (internal quotation marks omitted)); *see also* Chafee I, *supra* note 11, at 904–05 (commenting that parties seem to fare better against the unclean-hands defense when bringing tort rather than contract claims).

354. Republic Molding Corp. v. B.W. Photo Utils., 319 F.3d 347, 350 (9th Cir. 1963); *see also* Stein v. Mazer, 204 F.2d 472, 480 (4th Cir. 1953) (finding the balance of equities tipped in favor of plaintiffs); Alfred Bell & Co., Ltd. v. Catalda Fine Arts, 191 F.2d 99, 106 (2d Cir. 1951) (balancing the comparative guilt of the parties with the harm to the public interest and the penalty to plaintiff if denied relief).

355. The policies underlying the doctrine of collateral estoppel include relieving parties of the cost and vexation of multiple lawsuits, conserving judicial resources, and preventing inconsistent decisions, which, in turn, encourages reliance on adjudication. Allen v. McCurry, 449 U.S. 90, 94 (1980). Yet the primary consideration in administering the rule of preclusion is fairness, not consistency or the economy of foreclosing retrial of the issue. *See* Blonder-Tongue Labs., Inc. v.

Rather than building on equitable principles, Federal Circuit precedent automatically ascribes binding effect to inequitable-conduct adjudications and eliminates the discretionary nature of both collateral-estoppel and unclean-hands considerations. Without accounting for the district court's authority to refuse preclusive effect under certain circumstances, patentees incur the increased hazard that a finding of inequitable conduct will prevent future enforcement of the patent.

b. All claims

The Federal Circuit also requires the district court to dismiss all patent claims, even those unrelated to the inequitable conduct.[356] Patent applicants have multiple opportunities to define their invention in patent claims, which may be dependent or independent of each other.[357] As such, inequitable conduct tainting one claim may not necessarily taint another. Prior to the creation of the Federal Circuit, some appellate courts considered the enforceability of one or more patent claims to be part of the district court's equitable discretion.[358] Nevertheless, the Federal Circuit in *Kingsdown* reaffirmed, without discussion,[359] the rule from *J.P. Stevens & Co., Inc. v. Lex Tex Ltd.*,[360] under which inequitable conduct is an "all or nothing proposition."[361] Neither decision considered inequitable

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Univ. of Ill. Found., 402 U.S. 313, 328 (1971).

356. Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1288 (Fed. Cir. 2011) (en banc) (attributing the litigation abuse in part to the fact that a finding of inequitable conduct as to any single claim renders the entire claim unenforceable). Several articles criticize the all or nothing penalty and call for reform. *See, e.g.*, David McGowan, *Inequitable Conduct*, 43 LOY. L.A. L. REV. 945, 979–80 (2010); Melissa Feeney Wasserman, *Limiting the Inequitable Conduct Defense*, 13 VA. J.L. & TECH. 7, 18 (2008).

357. In the anatomy of a patent, the heart of the patent application is found in the claims. *See* BURK & LEMLEY, *supra* note 10, at 11–12 (noting that patentees only owns what they claim, not what they build or describe). To calibrate the scope of a patent, patent claims can be independent or dependent. *See id.* at 12.

358. *Compare* Gemveto Jewelry Co. v. Lambert Bros., Inc., 542 F. Supp. 933, 943 (S.D.N.Y. 1982) ("[W]e cannot think of any cases where a patentee partially escaped the consequences of his wrongful acts by arguing that he only committed acts of omission or commission with respect to a limited number of claims. It is an all or nothing proposition." (citation omitted)), *with In re* Multidistrict Litig. Involving Frost Patent, 540 F.2d 601, 611 (3d Cir. 1976) (asserting the discretion of the court to deny patent enforcement in part or in whole and partly declining to enforce the Frost patent at issue).

359. *See* Kingsdown Med. Consultants, Ltd. v. Hollister Inc., 863 F.2d 867 (Fed. Cir. 1988) (en banc). Unlike the extensive development of materiality and intent, the rulings that inequitable conduct extends to all patent claims, even those unrelated to such conduct have not been examined, and consequently, would do the least damage to the principle of stare decisis.

360. 747 F.2d 1553 (Fed. Cir. 1984).

361. *Id.* at 1561; *see Kingsdown*, 863 F.2d at 877.

conduct's equitable nature or its heritage in the doctrine of unclean hands. As a result, if a district court determines that one patent claim is tainted with inequitable conduct, the rule requires it to find all patent claims unenforceable.[362]

Because the parties involved in *Keystone*, *Hazel-Atlas*, and *Precision* did not distinguish one patent claim from another, the Supreme Court never addressed this issue.[363] However, a claim-by-claim approach appears consistent with the Court's careful examination of the connection between the inequitable conduct and the patents in *Keystone*.[364] The *Keystone* litigation focused on whether to dismiss one or more of the five patents.[365] In a prior lawsuit against the Byers Machine Company, the plaintiff from *Keystone* had suppressed evidence of a potential prior use as to one of three patents.[366] The plaintiff then used that decree of validity in seeking temporary injunctions *pendente lite* for its lawsuits against General Excavator Company and Osgood Company, which involved the same three patents as well as two related patents.[367]

Although the inequitable conduct occurred with regard to only one patent, the Supreme Court affirmed the dismissal of all five patents for practical and procedural reasons.[368] Ultimately, the Court

362. *Kingsdown*, 863 F.2d at 877; *see* Cotter, *supra* note 6, at 748 ("Even after *Therasense*, a finding of inequitable conduct renders the entire patent and sometimes even related patents unenforceable. . . . At least in this respect, the inequitable conduct doctrine remains . . . the 'atomic bomb' of patent litigation.").

363. In *Keystone*, the Petitioner conceded that its unclean conduct would preclude all patent claims. Reply Brief of Petitioner, *supra* note 259, at 2.

364. *See* Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 245–47 (1933) (highlighting that the requirement of unclean hands must be related to an act with "immediate and necessary' relation to the equity sought and determining that the connection between the patents and plaintiff's use of the Byers decree met this requirement).

365. *See id.* at 241–42, 244.

366. *See id.* at 242–44.

367. *See id.* at 242–43, 246.

368. *See id.* at 246–47. As a procedural matter, the Court found that the judgment involving the fraudulent patent and two others from the first Byers lawsuit were "in support, if not indeed the basis . . . of its applications" in this lawsuit. *Id.* at 246; *see also* Brief For Respondents at 28–33, *Keystone*, 290 U.S. 240 (Nos. 34, 35, 36, 37) (arguing that the evidence concerning the patents were comingled and filed conjointly as part of the same machine). The Court also discussed how Byers got the decree as part of a plan to use it in subsequent suits. *See Keystone*, 290 U.S. at 247 (specifying that this finding was sufficient to show that the plaintiff did not come to the action with clean hands). As a practical matter, the Court considered the business advantage and found that all of the patents were "important, if not essential, parts of the same machine." *Id.* at 246. Examining the machine itself, the Court further found "its claims warrant the inference that each supplement the others." *Id.* The fraudulent patent improved the design of the hoe or mattock arrangement of a ditching machine covered by one of the litigated patents. *Id.* at 242. The other patents at issue also improved the design by eliminating blind spots and allowing for the use of different size scoops and for detachable rake teeth for a scoop. *Id.* at 246.

concluded that "[t]he relation between the device covered by the [fraudulent] patent and those covered by the other patents, taken in connection with the use to which plaintiff put the Byers decree, is amply sufficient to bring these cases within the maxim."[369]

The fact that one of the previously-adjudicated patents was deemed valid without consideration of a potential prior use did not automatically render all related patents unenforceable.[370] Also indicative of a nuanced patent-by-patent (and correspondingly, claim-by-claim) approach in the exercise of discretion was the Supreme Court's reasoning that if the fraud had been discovered in the first Byers lawsuit involving the possibly fraudulent patent and two other patents, such conduct would have been sufficient for the district court to dismiss the cause of action only against the fraudulent patent.[371]

The Court cited *Conard v. Nicoll*[372] to illustrate the link between the patents.[373] In *Conard*, the Court explained that "if the particular act sought to be avoided be not shown to be tainted with fraud, it cannot be affected by those other frauds, unless in some way or other it be connected with or form a part of them."[374] The Court in *Keystone* further relied on *Leeds & Catlin Co. v. Victor Talking Machine Co.*,[375] in analyzing whether the unclean conduct was connected to the patents involved in the litigation.[376] The Supreme Court in *Leeds* dealt with the separability of patent claims for invalidity and infringement.[377] It stated:

> Claims are independent inventions. One may be infringed, others not, and the redress of the patentee is limited to the injury he

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Thus, the Court determined that the "devices covered by the patents w[ere] 'essential' to the ditching machinery." *Id.*

369. *Keystone*, 290 U.S. at 246–47 ("Neither the plaintiff's corruption of Clutter in respect of the first Downie patent nor its use in these cases of the Byers decree can fairly be deemed to be unconnected with causes of action based on the other patents.").

370. The intermediate appellate court observed that the unclean-hands doctrine may have been inapplicable if Keystone had not sought to use the previous decree or if it had based its lawsuit only on the other patents. *See* Gen. Excavator Co. v. Keystone Driller Co., 62 F.2d 48, 50 (6th Cir. 1932), *aff'd*, 290 U.S. 240.

371. *Keystone*, 290 U.S. at 246.

372. 29 U.S. (4 Pet.) 291 (1830).

373. *See Keystone*, 290 U.S. at 246 (citing *Conard*, 290 U.S. (4 Pet.) at 297).

374. *Conard*, 29 U.S. (4 Pet.) at 297; *see also* Samasko v. Davis, 64 A.2d 682, 685 (Conn. 1949) ("Where a plaintiff's [equitable] claim 'grows out of, or depends on, or is inseparably connected with, his own prior fraud, a court of equity will, in general, deny him any relief, and will leave him to whatever remedies and defenses at law he may have.'" (quoting Gest v. Gest, 167 A. 909, 912 (Conn. 1933))).

375. 213 U.S. 301 (1909).

376. *See Keystone*, 290 U.S. at 246–47.

377. *See Leeds*, 213 U.S. 301.

> suffers, not by the abstract rights which have been granted him in other claims. . . . But what is good remains and is unaffected by its illegal associates. In such cases, the patent does not stand or fall as a unity.[378]

Given *Keystone*'s analysis, the choice to dismiss certain claims and patents for inequitable conduct is not conceptually different from the discretion exercised in determining the connection component of unclean hands.[379] Indeed, Pomeroy discussed the doctrine as refusing "all" relief, but qualified the explanation "with reference to the subject-matter or transaction in question."[380] The connection component of unclean hands has been the method by which courts typically constrain the defense.[381]

In reference to litigation claims, the Supreme Court declared in *Manufacturers' Finance Co. v. McKey*[382] that unclean hands denies relief in toto.[383] However, the decision preceded the promulgation of the Federal Rules of Civil Procedure, which provide for the liberal joinder of claims.[384] Since that time, lower federal courts have limited "the reach of the doctrine to only some of the [litigation] claims."[385] Furthermore, under the related doctrine of fraud on the court, stemming from the Supreme Court's patent decision in *Hazel-Atlas*, courts regularly parcel the pleadings.[386]

The automatic dismissal of all patent claims is also inconsistent with the remedial character of the unclean-hands doctrine,

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378. *Id.* at 319.

379. *See* discussion *supra* at Part II.C.

380. 2 POMEROY, *supra* note 32, § 397, at 91.

381. *See* Anenson, *Beyond Chafee*, *supra* note 14, at 516 ("While not universal, many courts also mandate that the unclean conduct have a connection to the case.").

382. 294 U.S. 442 (1935).

383. *See id.* at 451 (declaring that "the maxim, if applicable, required the district court to halt petitioner at the threshold and refuse it any relief whatsoever"). The Supreme Court alternatively held that no inequitable conduct was involved in the case. *See id.*

384. *See* FED. R. CIV. P. 19–20. The Federal Rules of Civil Procedure of 1938 joined law and equity processes in the federal system. *See* Stephen N. Subrin, *How Equity Conquered Common Law: The Federal Rules of Civil Procedure in Historical Perspective*, 135 U. PA. L. REV. 909, 973–74 (1987).

385. New Valley Corp. v. Corporate Prop. Assocs. 2 & 3 (*In re* New Valley Corp.), 181 F.3d 517, 525 (B.A.P. 3d Cir. 1999) ("As an equitable doctrine, application of unclean hands rests within the sound discretion of the trial court. . . . [T]he court has discretion to limit the reach of the doctrine to only some of the claims."); *see also* J.L. Cooper & Co. v. Anchor Sec. Co., 113 P.2d 845, 853–54 (Wash. 1941) ("Even proof of misconduct as to one part of a transaction will not necessarily deprive a party of equitable relief as to another part thereof.").

386. *See* Eugene R. Anderson & Nadia V. Holober, *Preventing Inconsistencies in Litigation with a Spotlight on Insurance Coverage Litigation: The Doctrines of Judicial Estoppel, Equitable Estoppel, Quasi-Estoppel, Collateral Estoppel, "Mend The Hold," "Fraud on the Court" and Judicial and Evidentiary Admissions*, 4 CONN. INS. L.J. 589, 707 (1998); Stern, *supra* note 119, at 1254.

inequitable conduct, and the Supreme Court's decision in *eBay*.[387] MercExchange sued eBay for infringing its patent and requested a permanent injunction.[388] The trial court refused the injunction because MercExchange did not practice its patent, but rather, licensed it to others.[389] As a result, the district court held there was no irreparable injury sufficient to warrant the injunction.[390] The Federal Circuit reversed.[391] It ruled that a patent owner qualifies for an injunction once it shows that the patent is valid and infringed.[392] The appellate court allowed the district judge to refuse an injunction only under "exceptional circumstances" such as the necessary protection of public health or safety.[393]

The Supreme Court reversed, finding a middle ground.[394] It relied on ancient equitable principles to reject both the district court's per se rule to deny an injunction when the patent owner licensed rather than practiced the invention as well as the Federal Circuit's near automatic rule to grant an injunction upon infringement.[395] The Supreme Court held that equitable remedies in patent law, like those outside it, must be decided on a case-by-case basis.[396] It declared that "[t]he decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court, reviewable on appeal for abuse of discretion."[397]

It follows that the decision to render an entire patent family unenforceable for inequitable conduct "is a matter of equitable discretion; it does not follow from success on the merits as a matter of course."[398] As a remedial defense, inequitable conduct is part of the

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387. eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006). Besides the tradition of equity, the denial of enforcement on an individualized patent claim-by-claim basis is consistent with the text and intent underlying the statute. Section 288 of the Patent Act of 1952 was enacted to require invalidity determinations by claim and overrule judge-made law that if the patent was invalid-in-part, then the entire patent was nullified. P.J. Federico, *Commentary on the New Patent Act*, 75 J. PAT. & TRADEMARK OFF. SOC'Y 161, 208–09 (1993); *see* 35 U.S.C. § 288 (2006) (allowing the patentee to sue on a patent claim even if others were invalid unless there was deceptive intent).

388. *eBay*, 547 U.S. at 390–91.

389. *See* MercExchange, L.L.C. v. eBay Inc., 275 F. Supp. 2d 695, 712 (E.D. Va. 2003), *aff'd in part, rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated*, 547 U.S. 388.

390. *Id.*

391. *See eBay*, 401 F.3d at 1340.

392. See *id.* at 1338.

393. *Id.* at 1338–39.

394. *See eBay* 547 U.S. at 394.

395. See *id.* at 393–94.

396. *Id.* at 394.

397. *Id.* at 391.

398. Winter v. Natural Res. Def. Council, Inc., 555 U.S. 7, 32 (2008); Weinberger v. Romero-Barcelo, 456 U.S. 305, 313 (1982) ("[A] federal judge sitting as chancellor is not mechanically obligated to grant an injunction for every violation of law.").

district court's discretion mandated by the Supreme Court in *eBay*.[399] Therefore, principles of equity would not demand that the remedial defense apply automatically to all patent claims. Rather, the district court should dismiss only those claims that are related to the inequitable conduct within the meaning of unclean hands.

The Supreme Court has repeatedly declared that "breadth and flexibility are inherent in equitable remedies."[400] Quoting the Supreme Court, the majority in *Therasense* seemed to recognize the defense's discretionary character in stating that "[t]he remedy imposed by a court of equity should be commensurate with the violation."[401] In fact, it was the injustice of striking down an entire patent that led the majority to elevate the elements of inequitable conduct beyond their traditional standards.[402] However, rather than correcting the original historical error that required the dismissal of all patent claims and raised the stakes of infringement litigation,[403]

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399. Two hundred years of Supreme Court decisions on unclean hands demonstrate its use across a variety of equitable remedies. *See, e.g.*, California v. Am. Stores Co., 495 U.S. 271, 295 (1990) (equating statutory divestiture to equitable rescission); Caplin v. Marine Midland Grace Trust Co., 406 U.S. 416, 421–23 (1972) (bankruptcy); United States v. N. Pac. Ry., 311 U.S. 317, 333, 357–58 (1940) (accounting); Nat'l Fire Ins. Co. v. Thompson, 281 U.S. 331, 338 (1930) (affirming the district court's denial of an interlocutory injunction); Int'l News Serv. v. Assoc. Press, 248 U.S. 215, 242 (1918) (issuing a permanent injunction); United States *ex rel* Turner v. Fisher, 222 U.S. 204, 209 (1911) (mandamus); Pope Mfg. Co. v. Gormully, 144 U.S. 224, 237–39 (1892) (granting specific performance); Bein v. Heath, 47 U.S. (6 How.) 228, 239, 247–48 (1848) (injunction and rescission). The Supreme Court's patent cases applying unclean hands/inequitable conduct did not deviate from its remedial quality. *See, e.g.*, Meredith v. Winter Haven, 320 U.S. 228, 229–35 (1943)) (holding that the application of unclean hands/inequitable conduct in patent law was part of a more extensive doctrine, under which a court may withhold equitable relief in furtherance of a recognized public policy).

400. Swann v. Charlotte-Mecklenburd Bd. of Educ., 402 U.S. 1, 15 (1971); *see also* Hecht Co. v. Bowles, 321 U.S. 321, 329 (1944) ("Flexibility rather than rigidity distinguishes it."). In *Pope*, the Court explained that its refusal to provide equitable relief "rests entirely on judicial discretion, exercised . . . according to the settled principles of equity, and not arbitrarily or capriciously, and always with reference to the facts of the particular case." 144 U.S. at 237 (affirming the dismissal of a bill in equity seeking an accounting and injunction of a licensing contract involving various patents).

401. Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1292 (Fed. Cir. 2011) (en banc) (quoting Columbus Bd. of Educ. v. Penick, 443 U.S. 449, 465 (1979)). The dissenting opinion by Judge O'Malley relied on the same language to determine that, "in the exercise of its discretion, a district court may choose to render fewer than all claims unenforceable." *Id.* at 1299 (O'Malley, J., concurring in part and dissenting in part) (calling to overrule Federal Circuit precedent to the contrary).

402. *See id.* at 1289 (majority opinion).

403. *See* O'Connor, *supra* note 27, at 396 (characterizing inequitable conduct as a "massive trap" for the patentee); Nicole M. Murphy, Note, *Inequitable-Conduct Doctrine Reform: Is The Death Penalty for Patents Still Appropriate?*, 93 MINN. L. REV. 2274, 2274 (2009) (calling inequitable conduct the "death penalty" for patents).

the majority compounded it.[404] Just as it is "inequitable to strike down an entire patent where the patentee committed only minor missteps or acted with minimal culpability,"[405] it is equally inequitable to bar all patent claims when there are some unrelated to the inequitable behavior. Put simply, the theory of inequitable conduct determines what conduct is clean or unclean and prescribes the appropriate remedial response. Abolishing the discretion of the district court to tailor the relief is inappropriate and irreconcilable with the tradition of unclean hands.

The foregoing analysis makes clear that while *Therasense* changed the rules, the Federal Circuit did not deviate from its attitude toward equity in the narrowing or outright elimination of district-court discretion.[406] Its prior decisions disregarded the history of the unclean-hands doctrine, furthering the instability of inequitable conduct and its associated problems. The next section explains why a historically consistent theory of the defense may better avoid them.

B. Method of Equity

The Federal Circuit has been objectifying inequitable-conduct law in order to solve moral and political problems much like inventors use technology to solve physical problems. Rather than synthesizing science and sociology by resorting to equitable principles, the majority in *Therasense* cemented their separation. The following discussion establishes that tying inequitable conduct to the tradition of equity and its modern iteration in Supreme Court patent and non-patent precedents yields a more sustainable solution to the danger of fraud or other inequitable conduct in patent procurement.

Taking a traditional approach to the doctrine of unclean hands, courts apply the unclean conduct and connection components of the defense according to its purposes of private (party) and public (including court) protection, as well as the purposes of the claim.[407] The determination of the defense in the first instance is left to the district court's sound discretion and is only overturned on appeal for

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404. *See Therasense*, 649 F.3d at 1290 ("This court now tightens the standards for finding both intent and materiality in order to redirect a doctrine that has been overused to the detriment of the public.").

405. *Id.* at 1292 (quoting Star Scientific Inc. v. R.J. Reynolds Tobacco Co., 537 F.3d 1357, 1366 (Fed. Cir. 2008)).

406. *See* Roscoe Pound, *Do We Need a Philosophy of Law?*, 5 COLUM. L. REV. 339, 351–53 (1905) (advising that decisional rules will not change until the picture of the law also changes in the minds of judges).

407. *See* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 815–16 (1945); Anenson, *Limiting Legal Remedies*, *supra* note 13, at 64 (commenting that judges have invoked unclean hands for reasons of court and party protection).

its abuse.[408] As a result, judicial discretion is regulated by the principle of unclean hands.[409]

Our recent survey examining the judicial practice of unclean hands in patent and other federally-protected rights and remedies supports limiting the unclean-hands doctrine through a dual-purpose analysis.[410] Theoretical developments in equitable defenses and remedies also support such an approach. One equity judge and scholar explains how the private purpose of unclean hands assists in the maxim's application: "One way of testing for the application of the maxim is to consider whether the right the claimant seeks is one which, if protected, would allow the claimant to take advantage of their own wrong."[411] In analyzing the purpose of court protection, the scholarship demonstrates that courts can consider the defense along a four-part continuum to aid in its application.[412]

Scholars also agree that unclean hands should be analyzed in light of the purposes and policies of the areas of law to which it intervenes.[413] In considering unclean hands in statutory actions, Dobbs suggested that courts should consider the public policy of the legislation.[414] To aid analysis, Chafee advised courts assessing unclean hands to be more concerned with the subject and its policies than with morality and ethics.[415] Citing "patent infringement" as one

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408. *See, e.g.*, *Precision*, 324 U.S. at 819–20 (affirming the trial court's finding of unclean hands); *see also* Rude v. Buchhalter, 286 U.S. 451 (1932) (affirming the district court's decision not to dismiss for unclean hands).

409. *See* Anenson, *Treating Equity like Law*, *supra* note 13, at 508 (commenting that the defense has "served as a significant safety valve in equity cases for more than two hundred years" and arguing that the rule of relatedness provides a reasonable prescription for the application of the defense); *see also* Recent Case Comment, *Iniquity of One Plaintiff Bars All*, 48 W. VA. L.Q. 172, 173 (1942) (discussing unclean hands as a factor to be considered in the exercise of judicial discretion).

410. *See* Anenson, *Beyond Chafee*, *supra* note 14, at 543 (directing courts to be sensitive to whether the application of the defense is consistent with its purposes and does not otherwise defeat the purposes of the asserted claim).

411. YOUNG ET AL., *supra* note 181, at 182.

412. *See* Anenson, *Beyond Chafee*, *supra* note 14, at 542–57 (outlining the four-part continuum). While the paradigm was directed to courts considering the fusion of unclean hands in cases seeking legal relief, the construct is instructive in ascertaining the connection component as well. *See id.*

413. Professor (now judge) Finn reached the same conclusion examining equitable doctrines and rules in the private law of contract and tort. *See* Finn, *supra* note 306, at 41, 44. *See generally* Birks, *supra* note 327, at 3 (explaining that Judge Finn, along with Australian Justices Meagher, Gummow, and Lehane, are "widely acknowledged to be among the greatest masters of equity in the modern world").

414. *See* DOBBS, *supra* note 11, § 2.4(2), at 72.

415. *See* Chafee I, *supra* note 11, at 887 ("[D]ecisions have to be shaped by the special requirements of the subject and not merely by ethics."); *see also id.* at 892 (advising of the great advantage of inducing a more critical exam of the various policies, ethical or otherwise, which ought to govern the case).

example, Chafee concluded that unclean hands should be shaped by the subject matter of the litigation.[416]

Chafee's advice that the unclean-hands doctrine should operate within the parameters and goals of the right asserted is consistent with Story's instruction that equity, as a method of statutory construction, requires courts to discern the meaning of the statutes in light of their purposes.[417] Indeed, the Supreme Court regards unclean hands and other equitable maxims as "rules of construction" that facilitate their fusion in legislation.[418] It follows that courts applying a theory of equitable origin, like the doctrine of unclean hands, within a statutory framework should also consider legislative aims.[419] The most recent Supreme Court decisions applying the doctrine of unclean hands in federal statutes support this view.[420] Hence, be it private-law adjudication or public-law regulation, courts apply the unclean-hands doctrine in light of its own objectives as well as the objectives of the claim or right at issue.

The twin-prong analysis to direct judicial discretion makes sense from a jurisprudential perspective as well. Scholars advise that theory

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416. *See id.* at 887, 905. In a later era, Douglas Laycock reached the same conclusion. *See* LAYCOCK, *supra* note 11, at 933 (unclean hands is part of patent law). Examining several intellectual property cases, Chafee found decisions that overemphasized ethics to the exclusion of other policies yielded absurd results. *See* Chafee II, *supra* note 11, at 1068–69.

417. *See* 1 STORY, *supra* note 162, §§ 6–8, at 193–97; *see also* Pound, *supra* note 164, at 383–84 (urging for a liberal construction of statutes in light of their policies to give effect to legislative intent and further legislative power and its superiority over judge-made law in contrast to strict construction viewed as judicial usurpation of power).

418. Mastro Plastics Corp. v. NLRB, 350 U.S. 270, 287–89 (1956); *see also* MCCLINTOCK, *supra* note 31, § 24 (indicating that maxims of equity are "memory aids" because principles to exercise discretion); YOUNG ET AL., *supra* note 181, at 158 (describing equitable maxims as "broad statements of policy and principle, rather than anything in the nature of fixed rules").

419. *See, e.g.*, Thomas Geu, et al., *To Be or Not To Be Exclusive: Statutory Construction of the Charging Order in the Single Member LLC*, 9 DEPAUL BUS. & COMM. L.J. 83, 94 (2010) (codifying a charging order derived from equity and justified by equitable interpretation according to the policies of the statute). Blackstone described equity as the "soul" of the law. 3 WILLIAM BLACKSTONE, THE COMMENTARIES ON THE LAWS OF ENGLAND 222 (4th ed. 1876) ("Equity, in its true and genuine meaning, is the soul and spirit of all law; positive law is construed, and rational law is made, by it."). This comports with Maitland's justification of equitable intervention on the grounds that equity came not to destroy the law, but to fulfill it. *See, e.g.*, EATON, *supra* note 160, at 47 ("Where *legal rights* are considered in a court of equity, the general rules and policy of the law must be obeyed."). Another ancient maxim that "equity follows the law" reminds us that law without equity may have been "barbarous, unjust, absurd," Laycock, *supra* note note 182, at 67, but equity without the law would have been a "castle in the air." 1 FREDERIC W. MAITLAND, EQUITY 19 (2d ed. 1936).

420. *See* McKennon v. Nashville Banner Publ. Co., 513 U.S. 352, 361 (1995); *see also* 30A C.J.S. *Equity* § 99 (1965) (citing state and federal cases evidencing that courts applying equitable principles take notice of public policy and conform to it); DONALD J. WOLFE, JR. & MICHAEL A. PITTENGER, CORPORATE AND COMMERCIAL PRACTICE IN THE DELAWARE COURT OF CHANCERY § 11.07[d] (2013) (listing cases).

development in law must pay attention to both the particular contexts of specific doctrinal questions and the motivating principles and policies underlying its resolution.[421] Allowing for a "law of lawful discretion" by framing the inquiry for the district court is not inconsistent with the rule of law.[422] On the contrary, the two-tiered analysis is a way of harmonizing the law.[423] It is perhaps what professor Stephen Burbank meant when he reflected on the interdependence of law and equity and recommended that courts adopt a balanced approach to tradition.[424] The remarkable duality found in equitable principles ensures they are grounded in the past, while simultaneously looking to the future.

1. Procedural bounds

The very act of reason-giving in reaching a discretionary judgment can also help clarify the law and foster consistency in decision making.[425] As such, accounting for the defense's traditional elements and purposes, as well as the purposes of the claim, provides procedural bounds.[426]

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421. Hanoch Dagan, *Just and Unjust Enrichments* 17 n.53 (Tel Aviv Univ. Law Faculty Papers, Paper No. 87, 2008), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1146425.

422. *Id.* at 24 (citing KARL N. LLEWELLYN, THE COMMON LAW TRADITIONS: DECIDING APPEALS (1960)) (articulating a "Law of Lawful Discretion"); Greenawalt, *supra* note 121, at 361 (endorsing discretion and finding bounds discernible and effective).

423. Law and equity have been borrowing from each other for centuries. *See, e.g.*, Keith Mason, *Fusion: Fallacy, Future or Finished?*, *in* EQUITY IN COMMERCIAL LAW, *supra* note 160, at 41 (noting how statutory enactments are subject to the judicial method).

424. Professor Burbank is the David Berger Professor for the Administration of Justice at the University of Pennsylvania Law School. His expertise includes civil procedure, complex litigation, and judicial administration. He explained:

> We have been fortunate that our system has included, most of the time and in most American jurisdictions, both law and equity, each of which requires the other and both of which, in combination, have helped us over more than two hundred years to make social and economic progress. That progress has often not come easily, and there is much of it still to be made.

Stephen B. Burbank, *The Bitter with the Sweet: Tradition, History, and Limitations on Federal Judicial Power—A Case Study*, 75 NOTRE DAME L. REV. 1291, 1346 (2000).

425. *See* Cravens, *supra* note 17, at 955 (advocating for clear discretionary standards across substantive areas and for a workable meaning of its abuse given the importance of discretion in judicial decision making and the definition of the judicial role); *see also* WILSON HUHN, THE FIVE TYPES OF LEGAL ARGUMENT 63 (2002) ("The disclosure of the true reasons for a decision performs a valuable function: the state premises of the law will over time be empirically tested."); Frederick Schauer, *Do Cases Make Bad Law?*, 73 U. CHI. L. REV. 883, 889–90 (2006) (discussing how the reasons for rules announced in decisions may have normative weight and constrain future decisions).

426. Cravens, *supra* note 17, at 955–56 (discussing the benefits of such procedural bounds in the law of remedies).

The idea of procedural bounds for decision making is neither new, nor unique.[427] The Supreme Court's equity jurisprudence has fluctuated over time,[428] but one of its earliest decisions on unclean hands cautioned against an "unlimited and undefined discretion to dismiss."[429] During the Founding Era, Chief Justice Marshall declared that discretion is not left to a court's "inclination, but to its judgment; and its judgment is to be guided by sound legal principles."[430] The Court has expressed the same sentiment in more modern decisions.[431] In fact, the Supreme Court's patent and non-patent decisions involving equitable remedies reinforce the boundaries of judgment for the district court, rather than removing them altogether.[432] The Court has acknowledged the exercise of equitable discretion, albeit within a more structured framework of legal analysis.[433] The Supreme Court reversed the Federal Circuit in *eBay* for failing to provide the district court with the historic discretion that accompanies decisions involving equitable remedies.[434]

Nevertheless, the majority in *Therasense* actually cited *eBay* in support of its newly defined elements of inequitable conduct, presumably because the Supreme Court consolidated precedents and

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427. *Id.* at 981 (candor regarding discretion is important for a positive public view of the judiciary); *accord* RICHARD POSNER, THE FEDERAL COURTS: CRISIS AND REFORM 204–07 (1985) (discussing the value of candor in the judicial process).

428. John R. Kroger, *Supreme Court Equity, 1789–1835, and the History of American Judging*, 34 HOUS. L. REV. 1425, 1438 (1998) (concluding there were conflicting views of equity adjudication during the founding era and stating that "an American judge or lawyer looking to Kames or Blackstone for a theoretical guide to equity adjudication would find no single, clear approach."). "Instead, he would find two contradictory conceptions—opposing the need for choice." *Id.*

429. Clarke v. White, 37 U.S. (12 Pet.) 178, 193 (1838). *Cf.* Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 246 (1933) (advocating the "free and just" exercise of discretion); Deweese v. Reinhard, 165 U.S. 386, 390 (1897) ("[T]he conduct of the plaintiff be offensive to the dictates of natural justice.").

430. United States v. Burr, 25 F. Cas. 30, 35 (C.C.D. Va. 1807) (Marshall, C.J.).

431. In *Albemarle Paper Co. v. Moody*, the Court explained that discretionary choices are not "unfettered by meaningful standards." 422 U.S. 405, 416 (1975). Again in *Martin v. Franklin Capital Corp.*, the Supreme Court reinforced the notion that "[d]iscretion is not a whim." 546 U.S. 132, 139 (2005).

432. *See, e.g.*, Winter v. Natural Res. Def. Council, Inc., 555 U.S. 7, 32 (2008) (reversing an injunction because the district court failed to give serious attention to the balance of equities and public interest).

433. *See* Fischer, *supra* note 18, at 575 (noting that the Supreme Court remains committed to the traditional approach to equitable remedies, even in the face of statutory rights).

434. *See* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006); *see also* Cravens, *supra* note 17, at 982 (characterizing the *eBay* decision as underscoring "the need for the exercise of true judgment"). As discussed above, *supra* Part, the Federal Circuit created a presumption in favor of an injunction and reversed district courts that applied the opposite presumption against it. The Supreme Court then determined that both courts erred because equitable remedies entail discretion.

provided a four-part test for permanent injunctions.[435] Although scholars have criticized the Supreme Court for going too far in its attempt to clarify remedial law, the Supreme Court's decision in *eBay* retained and reinforced lower court discretion to determine the facts and circumstances in light of enumerated factors.[436] The existing elements of the unclean-hands doctrine, while discretionary, similarly provide mandatory reasoning requirements.

Such procedural bounds are prevalent not only in equitable remedies and the defenses of unclean hands and laches, but also in other discretionary defenses such as fraud on the court,[437] illegality,[438] and the various estoppels.[439] These bonds delimit discretion while simultaneously appreciating its necessity in both equity and in law.[440] A proper methodology, plausibly explained, will equally provide the requisite degree of reliability for inequitable-conduct law.[441]

2. Other defenses

A more restrictive inequitable-conduct defense may additionally be achieved by segregating some of the factual circumstances that would amount to inequitable conduct to other narrower, or at least different, equitable or common law defenses. While courts do not

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435. Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1293 (Fed. Cir. 2011) (en banc).

436. *See, e.g.*, Laycock, *supra* note 16, at 4 & n.5 (citing Rendleman, *supra* note 17) (calling the *eBay* decision "startling" and asserting that the Court should have treated the reasons for injunctive relief as affirmative defenses); Rendleman, *supra* note 17, at 85–90 (criticizing the Supreme Court's decision in *eBay* for creating the equitable "tradition" for the first time).

437. Fraud on the court is one such defense derived from the Supreme Court's inequitable-conduct decision in *Hazel-Atlas Glass Co. v. Hartford Empire Co.*, 322 U.S. 238, 239 (1943). *Accord* Stern, *supra* note 119, at 1253 (summarizing the multi-factor analysis to exercise discretion).

438. Treatise authors often include cases that involve illegality within the concept of unclean hands. A recurring issue in illegality cases is the competence of the court in finding a violation. Furthermore, a common question that cuts against the application of the defense is whether a civil case is the proper forum for determining criminal guilt. *See* Chafee I, *supra* note 11, at 905. In patent litigation, however, the Federal Circuit initially lowered the standard for materiality and intent because a court can more easily determine an inequitable-conduct defense than it can the more technical patent issues involved in invalidity. *See* O'Connor, *supra* note 27, at 344.

439. Various estoppels are related equitable defenses that are similarly defined by elements. *See infra* Part III.B.2.

440. *See* Cravens, *supra* note 17, at 983 (reviewing remedial discretion and concluding that procedural rather than substantive bounds are the most practically useful to constrain both the original discretion determinations and the appellate review of those determinations); *see also id.* at 975 (commenting that injunctive relief procedural factors are vague, or "loose," with the judge who makes normative decisions about competing values).

441. *Cf. id.* at 994–95 (recommending mandatory methodology and reasoning requirements for discretion to create a robust and reliable meaning).

have a great track record for distinguishing equitable defenses, most have not been studied systematically in the last fifty years.[442] Renewed discussion and awareness should improve judicial reasoning. The equitable defense of estoppel is, perhaps, the closest analog to the doctrines of unclean hands and inequitable conduct.[443] The liberalization of estoppel by way of a relaxed intent and the removal of reliance in certain jurisdictions move it closer still.[444]

A narrower version of equitable estoppel is judicial estoppel.[445] The doctrine of judicial estoppel prevents a litigant from taking a position inconsistent with one she successfully and unequivocally asserted in a prior judicial or quasi-judicial proceeding.[446] As an equitable doctrine, the Supreme Court has cautioned against inflexible prerequisites or an exhaustive formula.[447] Nevertheless, a successful claim for judicial estoppel typically has two parts: 1) a showing that the adverse party took a contrary position under oath in another proceeding and 2) that the court accepted that earlier position.[448] The purposes of judicial estoppel, like those of the

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442. The concepts of estoppel and unclean hands are distinct, although they can coalesce and are often used interchangeably. *See, e.g.*, Tangwall v. Looby, 109 Fed. Appx. 12, 15 (6th Cir. 2004) (per curiam) (affirming dismissal for judicial estoppel and noting that "[o]ne of the fundamental principles of equity jurisprudence is that a plaintiff "must come into court with clean hands" and "must be frank and fair with the court" (quoting Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 244 (1933))); *In re* Estate of Richardson, 903 So. 2d 51, 55–56 (Miss. 2005) (finding that the doctrines of unclean hands, equitable estoppel, and judicial estoppel alternatively apply to preclude inconsistent positions during litigation).

443. The doctrine of unclean hands is broader than that of estoppel. *See* R. H. Stearns Co. v. United States, 291 U.S. 54, 61–62 (1934) (explaining that "the disability has its roots in a principle more nearly ultimate than either waiver or estoppel, the principle that no one shall be permitted to found any claim upon his own inequity or take advantage of their own wrong").

444. *See* Anenson, *Role of Equity*, *supra* note 14, at 28–29; T. Leigh Anenson, *The Triumph of Equity: Equitable Estoppel in Modern Litigation*, 27 REV. LITIG. 377, 398–401 (2008) [hereinafter Anenson, *Triumph of Equity*]; *see also* Simmons v. Burlington, 159 U.S. 278, 291 (1895) (finding that while the facts were not actionable as an estoppel on the rights of property or contract, they produced a quasi-estoppel on the remedy justifying its decision on the ground of unclean hands).

445. Anenson, *Triumph of Equity*, *supra* note 444, at 402–03; *see* New Hampshire v. Maine, 532 U.S. 742, 750 (2001) (recognizing both types of estoppel). Additionally, courts regularly apply equitable and judicial estoppel to both legal and equitable relief. *See* Kirk v. Hamilton, 102 U.S. 68, 78 (1880) (adopting equitable estoppel into the common law and declaring that "there would seem no reason why its application should be restricted in courts of law").

446. Teledyne Indus., v. NLRB, 911 F.2d 1214, 1217 (6th Cir. 1990). For a summary of the application of judicial estoppel premised on prior administrative decisions, see T. Scott Belden, *Judicial Estoppel in Civil Actions Arising from Representation or Conduct in Prior Administrative Proceeding*, 99 A.L.R.5th 65 (2002).

447. *New Hampshire*, 532 U.S. at 750–51; *see* Reed Elsevier, Inc. v. Muchnick, 130 S. Ct. 1237, 1249 (2010) (noting inconsistencies to the parties' submissions yet declining to apply judicial estoppel).

448. *See* Reynolds v. Comm'r, 861 F.2d 469, 473 (6th Cir. 1988) (analyzing the

unclean-hands doctrine, are to prevent a private advantage and to protect judicial integrity.[449] Unlike the doctrine of unclean hands, however, both estoppel theories require an inconsistency.[450] Therefore, the contradictory conduct of the patentee in *Therasense*—and numerous other cases involving inconsistencies in disclosure to the Patent Office that violated its administrative rule of disclosure—could be reevaluated as an estoppel.[451]

3. The value of precedent

The district courts' discretion will not only be contained by the dual-purposes analysis, but also moderated by precedent. Once the discretionary standards are established, a body of past decisions will develop on similar questions to provide consensus in particularized settings or on certain discrete issues.[452] Chafee examined a total of eighteen different groups of cases that consider the doctrine of unclean hands, and he concluded that each case should be decided within the orbit of the transaction and the surrounding facts.[453] In his studies of the defense, Chafee determined that "this vague single principle gets most of its qualities in a given group of cases from the substantive law of the particular subject."[454] As a result, the accumulated legacy of court work will provide guidance in the nature

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effect of inconsistent positions regarding tax liability in a bankruptcy proceeding).

449. *See Teledyne Indus.*, 911 F.2d at 1218 (observing that the requirement of "prior judicial acceptance protects the truth-seeking function of the court, while preserving the court's integrity" to prevent "a party from abusing the judicial process through cynical gamesmanship, achieving success on one position, then arguing the opposite to suit an exigency of the moment").

450. *See* Anenson, *Beyond Chafee*, *supra* note 14, at 511 nn.260–63 (comparing the doctrines of unclean hands, judicial estoppel, and equitable estoppel); Anenson, *Role of Equity*, *supra* note 14, at 51–52; Anenson, *Triumph of Equity*, *supra* note 444, at 402–03.

451. *See* Monica A. De La Paz, *Inequitable Conduct: Overview and Current Concepts*, INTELL. PROP. & TECH. L.J., Feb. 2010, at 12, 13–16 (outlining cases of inequitable conduct premised on inconsistent conduct); *see also* Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 246 (1944) (estopping the patentee from arguing withheld information was irrelevant given his attorney's belief that the information was material).

452. *See* GLOVER, *supra* note 161, § 1.6 ("Factual analogies and resemblances play a large part in equitable method."); Anenson, *From Theory to Practice*, *supra* note 124, at 643–51 (illustrating the phenomena of standards moving to rules in cases considering the equitable defense of estoppel); Cravens, *supra* note 17, at 956 (discussing how decisions on equitable remedies may be habit forming in terms of the kind of judgment a court exercises); *see also* Emily Sherwin, *Judges As Rulemakers*, 73 U. CHI. L. REV. 919, 919 (2006) (proposing that the use of precedent and analogical reasoning broadens perspective and leads to better assessments of potential consequences).

453. *See* Chafee I, *supra* note 11, at 887.

454. Chafee II, *supra* note 11, at 1092; *see* Chafee I, *supra* note 11, at 878 (concluding that unclean hands "is really a bundle of rules relating to quite diverse subjects").

of Llewellyn's "situation sense" for the district courts to conduct a contextual normative inquiry.[455] In its inequitable-conduct decisions, for instance, the Supreme Court used factually analogous unclean-hands cases dealing with the acquisition of a right rather than its misuse.[456]

Moreover, whether the Supreme Court in *eBay* misunderstood the historical operation of equitable remedies,[457] the decision does evidence the Court's concern that like cases should be treated alike.[458] Equitable issues have been subject to precedent since the eighteenth century.[459] While federal and state courts have intimated

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455. *See* KARL N. LLEWELLYN, THE COMMON LAW TRADITION 167 (1960) (describing the common law process of creating law through the groupings of transaction-types or situation-sense). A series of early cases that the Supreme Court decided also indicates that a showing of unclean hands does not prevent a litigant from challenging the constitutionality of a law, even if the party allegedly violates that law. *See* Doud v. Hodge, 350 U.S. 485, 487 (1956); Toomer v. Witsell, 334 U.S. 385, 391 (1948) McFarland v. Am. Sugar Ref. Co., 241 U.S. 79 (1916) (denying a grant of equitable relief); Peoria Gas & Elec. Co. v. Peoria, 200 U.S. 48, 57 (1906). California courts have also induced a case-derived paradigm to resolve subsequent cases that involve the doctrine of unclean hands, extending the doctrine to lawsuits where parties seek legal and equitable relief. *See* Kendall-Jackson Winery, Ltd. v. Superior Court, 90 Cal. Rptr. 2d 743, 749 (Ct. App. 1999) ("Whether the particular misconduct is a bar to the alleged claim for relief depends on (1) analogous case law, (2) the nature of the misconduct, and (3) the relationship of the misconduct to the claimed injuries." (citing Blain v. Doctor's Co., 272 Cal. Rptr. 250, 256 (Ct. App. 1990))).

456. *See* Keystone Driller Co. v. Gen. Excavator Co., 290 U.S. 240, 244–45 (1933) (citing contract and property cases). A contract perspective is appropriate because courts often recognize a patent grant as a contract between the inventor and the government. *See* Monsanto Co. v. Rohm & Haas Co., 456 F.2d 592, 597–98 (3d Cir. 1972) (quoting Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 816 (1945)) (recognizing that a part of the quid pro quo for the acquisition of a patent monopoly is an insistence that the circumstances surrounding the application be "free from fraud or other inequitable conduct"); Orin S. Kerr, *Rethinking Patent Law in the Administrative State*, 42 WM. & MARY L. REV. 127, 134 (2000) (using contract paradigm to explain patent privilege); Khan, *supra* note 219, at 491 (equating patent grants with patent contracts).

457. *See* Gergen et al., *supra* note 16, at 204, 207–14 (lambasting *eBay* as a "brusque" decision in which the Court inadvertently "revolutionized" the law of equitable remedies).

458. In *eBay*, the Chief Justice and two associate justices concurred in limiting district court discretion by legal standards to promote the principle of justice that like cases be treated alike. eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 395 (2006) (Roberts, C.J., concurring) (citing Martin v. Franklin Capital Corp., 546 U.S. 132, 139 (2005)); *see also* HUHN, *supra* note 425, at 43 (arguing that precedent supports the stability and predictability of law as a guide to future action); Barrett, *supra* note 249, at 815, 827–29 (placing precedent within federal procedural common law).

459. *See* Pierpont v. Fowle, 19 F. Cas. 652, 658 (D. Mass. 1846) ("Precedents are to govern conscience in chancery as well as at law."); 1 STORY, *supra* note 46, § 18, at 18 (asserting that the system of equity is bound by precedent); W.H.D. Winder, *Precedent in Equity*, 57 L.Q. REV. 245, 247 (1941) ("Before the opening of the eighteenth century precedent was rapidly superseding conscience as the foundation of practical equity.").

otherwise on certain occasions,[460] it is axiomatic that the principle of stare decisis is alive and well in the tradition of equity in America.[461] Therefore, despite the Federal Circuit arresting the natural development of inequitable conduct to date, what constitutes a showing of unclean hands in the prosecution of a patent is not so vague as to negate the further development of meaningful standards of decision making.[462]

Relatedly, the traditional equitable approach tracks Supreme Court jurisprudence by squaring the remedial defense of unclean hands across subject areas.[463] These transubstantive principles should, in turn, restrain judicial decision making.[464] From modest beginnings in ancient equity cases,[465] the defense now applies in modern state and federal court litigation.[466] The defense's coverage extends to entire categories of private law and to an ever-broadening range of statutory actions.[467] In fact, relying primarily on the Supreme Court's decision in *Precision*, a number of courts no longer restrict the doctrine of unclean hands to equitable remedies or preserve the substantive version of the defense.[468]

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460. *See* Anenson, *From Theory to Practice*, *supra* note 124, at 660 (noting that "there is precedent paradoxically pronouncing there is no precedent"); *see also* NEWMAN, *supra* note 30, at 28 ("[R]elief in the court of the Chancellor was granted according to criteria which were not confined by rules of strict logic or by analogy to prior decisions.").

461. *See, e.g.*, Gergen et al., *supra* note 16, at 205 (noting that the *eBay* test is "*the* test" for determining when a permanent injunction should issue in patent law).

462. *See* Smith, *supra* note 160, at 24–25 (discussing equity's "liability conclusion[s]"). In response to the objection concerning equity's vague standards, Smith observes that many equitable ideas, such as conscionability, are not tests, but liability conclusions. *Id.* Such conclusions do not create unacceptable uncertainty because they are not usually applied directly to the facts. *See id.* Rather, more detailed precepts mediate between the facts and the generally worded liability conclusion. *Id.* at 25. Understanding both establishes liability and also explains why. Chafee made the same observation about the unclean-hands doctrine. *See* Chafee I, *supra* note 11, at 892.

463. *See* Gergen et al., *supra* note 16, at 205 (noting the *eBay* decision's "cataclysmic effect" in transforming equitable remedies across federal government regulation, constitutional law, and even state tort and contract law); *see also supra* Part I.A (discussing the historical approach to applying equitable relief).

464. *See* David S. Schoenbrod, *The Measure of an Injunction: A Principle To Replace Balancing the Equities and Tailoring the Remedy*, 72 MINN. L. REV. 627, 631–32 (1988).

465. *See* Chafee I, *supra* note 11, at 878 (noting the maxim's "humble beginnings in suits about contracts made under the influence of liquor or amorous philandering").

466. *See* Anenson, *Beyond Chafee*, *supra* note 14, at 529–31.

467. *See id.* The doctrine of unclean hands even pertains to international human rights. *See, e.g.*, Aleksandr Shapovalov, *Should a Requirement of "Clean Hands" Be a Prerequisite to the Exercise of Diplomatic Protection? Human Rights Implications of the International Law Commission's Debate*, 20 AM. U. INT'L L. REV. 829, 830–831 (2005) (discussing the doctrine of unclean hands as a general principle of international law and the doctrine's applicability in cases of diplomatic protection).

468. *See* Anenson, *Beyond Chafee*, *supra* note 14, at 543–48 (analyzing cases that

Concentrating on the equitable origin of the rule of law allows the doctrine's meaning to be derived from a deeper, as well as a wider, theoretical frame. Thus, an equitable perspective permits a weightier analysis, drawing meaning from equity's five-hundred-year history in addition to its operation across multiple subjects, including intellectual property rights.[469] Returning the principle of equity to the framework for inequitable conduct aids judicial legitimacy while adding normative force to better enable thoughtful decision making.[470] As evidenced by its present use in a multitude of cases, the doctrine of unclean hands continues to be legally and socially significant.[471]

C. Implications for Patent Law

Choosing equity, and the discretion that accompanies it, inserts some uncertainty into patent law, however narrowly the defense is drawn. It is true that for patents to have value, there must be a consistent and predictable system of enforcement.[472] It is also true that uncertainty and inconsistency are two different vices of discretion.[473] But not every instance of discretion yields unacceptable uncertainty and ambiguity.[474]

1. Patent bar

For instance, returning discretion to the district judges within the foregoing framework is acceptable despite the fact that it may not

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apply the defense to protect the litigation process); Anenson, *From Theory to Practice*, *supra* note 124, at 639 (detailing cases applying the defense against legal remedies).

469. Law is a historical institution. *See* Richard A. Posner, *Past-Dependency, Pragmatism, and Critique of History in Adjudication and Legal Scholarship*, 67 U. CHI. L. REV. 573, 573 (2000) ("Law is the most historically oriented, or if you like the most backward-looking, the most 'past dependent,' of the professions."). Because of its long pedigree, equity law is particularly susceptible to historical analysis. *See generally id.* ("[P]ragmatic jurisprudence must come to terms with history.").

470. *See generally* Karl N. Llewellyn, *The Case Law System in America, as reprinted in* 88 COLUM. L. REV. 989, 991 (1988) (discussing the public view that judges do practical justice); Smith, *supra* note 160, at 19–20, 38 ("Tradition and history are normative, in every legal system.").

471. *See* CHAFEE, *supra* note 30, at 12 (noting the "astonishing number" of cases decided under the doctrine of unclean hands); Anenson, *Treating Equity Like Law*, *supra* note 13, at 459 ("Despite its containment mainly to actions in equity, cases considering the doctrine during the present century already tally in the thousands.").

472. *See, e.g.*, H. JACKSON KNIGHT, PATENT STRATEGY FOR RESEARCHERS AND RESEARCH MANAGERS, at xv (3d ed. 2013) (noting importance of enforcement for patent rights to have value).

473. *See* Smith, *supra* note 160, at 24; *see also* CARDOZO, *supra* note 312, at 112 ("One of the most fundamental social interests is that law shall be uniform and impartial.").

474. *See* Smith, *supra* note 160, at 38 (discussing the relationship between equity and law, noting that discretion is not "necessarily injustice").

provide patent counsel with a checklist to guarantee no future inequitable-conduct charge.[475] The desire to avoid malpractice and a possible later disqualification from the litigation is understandable.[476] Nevertheless, lawyers, like judges, must exercise judgment. In addition, the duty lawyers owe to the Patent Office in prosecuting an application is no different than that owed to the bench in litigation.[477] Patent counsel are obligated to disclose known prior art relevant to the application just as litigators are expected to cite contrary controlling authority.[478] Because the advantages of the adversarial system do not attach to the patent prosecution process, the patent system relies upon the observance of the duty of disclosure.[479] Inequitable conduct preserves trust in the relationship between the agency and its constituents, providing a greater degree

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475. Even given the unsettled state of inequitable-conduct law pre-*Therasense*, lawyers could adequately advise their clients on how to avoid an inequitable-conduct charge in the patent-application process by examining the factual settings. *See* William F. Vobach, *An Update on the Law of Inequitable Conduct in Patent Prosecution*, 39 COLO. LAW 39, 39–44 (2010) (citing three recent Federal Circuit cases advising how Patent Office actions can be material); *see also* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1296 (Fed. Cir. 2011) (en banc) (O'Malley, J., concurring in part and dissenting in part) (noting that while patent practitioners regularly call on this court to provide clear guidelines "when dealing with the application of equitable principles and remedies, the law is imprecise by design"); Thomas, *supra* note 302, at 794 ("Patent lawyers prefer rules.").

476. *See* Sheri Qualters, *Federal Circuit Panel Overturns Inequitable Conduct Summary Judgment*, LAW.COM (June 2, 2010), http://www.law.com/jsp/article.jsp?id=1202459087352&Federal_Circuit_Panel_Overturns_Inequitable_Conduct_Summary_Judgment&slreturn=20130707144711 (discussing Leviton Manufacturing's lawsuit against its own lawyers for malpractice after a District of Maryland summary judgment ruling in Leviton Manufacturing Co. v. Shanghai Meihao Elecric, Inc., 613 F. Supp. 2d 670, 717, 729 (D. Md. 2009), which awarded more than $1 million in attorney fees and costs to Shanghai because of the "inequitable conduct and vexatious litigation" of lawyers who worked for Leviton and the Federal Circuit decision to vacate that ruling (citing Leviton Mfg. Co. v. Greenberg Traurig LLP, No. 09 Civ. 8083(GBD)(THK), 2010 WL 4983183 (S.D.N.Y. Dec. 6, 2010)); *see also* Christopher A. Cotropia, *Modernizing Patent Law's Inequitable Conduct Doctrine*, 24 BERKELEY TECH. L.J. 723, 766 (2009) (discussing the personal consequences of inequitable conduct on patent counsel). Attorneys have also expressed concern that an allegation of inequitable conduct may deter settlement because such a charge implies turpitude and causes removal of counsel from the case. *See* Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988) ("[C]harging inequitable conduct in almost every major patent case . . . destroy[s] the respect for one another's integrity, for being fellow members of an honorable profession, that used to make the bar a valuable help to the courts in making a sound disposition of their cases, and to sustain the good name of the bar itself.").

477. *See, e.g.*, Goldman, *supra* note 23, at 95 (lamenting conflicting duties to client and Patent Office).

478. For instance, "[a] lawyer shall not knowingly . . . fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be *directly adverse* to the position of the client and not disclosed by opposing counsel" or "fail to correct a false statement of *material fact* or law previously made to the tribunal by the lawyer." MODEL RULES OF PROF'L CONDUCT R. 3.3 (2012) (emphasis added).

479. *See* ADELMAN ET AL., *supra* note 26, at 735.

of predictability in these interactions.[480] Inventors satisfy their obligations to come to the Patent Office with clean hands by submitting information regarding patentability that is reasonable and in good faith in the same way that directors and officers fulfill their fiduciary duties in corporate relations.[481]

2. Rules and standards

Moreover, the *Therasense* majority's new move to limit the elements of inequitable conduct may not cure concerns with the defense. Its requirement of a stricter intent and but-for materiality may work to provide more certainty for patentees and their attorneys. Yet it will likely fail to provide an enforceable duty in the patent-application process and encourage cheating to obtain a patent monopoly by those who have not earned it.[482] As a result, to the extent that its former standard for inequitable conduct was over-inclusive and devalued the patent, its new rule-based precept will likely be under-inclusive.[483] Returning discretion to the district courts to discern legitimate from frivolous pleadings of inequitable conduct will not be hopelessly abstract and should eliminate uncertainty at the appellate level.[484] It should be emphasized that the majority recognized that a

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480. Because patent examiners depend on patentees and their counsel to adequately disclose prior art, the relationship between the Patent Office and the bar is akin to a fiduciary relationship. *See* Robert Cooter & Bradley J. Freedman, *The Fiduciary Relationship: Its Economic Character and Legal Consequences*, 66 N.Y.U. L. REV. 1045, 1048 (1991) (discussing the appropriation-incentive model as a form of fiduciary relationship).

481. *See* Anenson & Mayer, *supra* note 215, at 969–71 (reviewing fiduciary duty law). The abuse of fiduciary and other confidential relations is one area of equitable intervention that historically falls under the head of constructive fraud. *See id.* at 963. Moreover, breaching a fiduciary duty can amount to a finding of unclean hands. *See e.g.*, Jackson Law Office, P.C. v. Chappell, 37 S.W.3d 15, 27 (Tex. Ct. App. 2000) (applying the doctrine of unclean hands even in the absence of proof that the attorney's client suffered injury).

482. *See* Cotter, *supra* note 6, at 738–39 (noting that defenders of inequitable conduct argue that the defense "deters misconduct and thus contributes to the integrity to patent prosecution and enforcement"); Lisa A. Dolak, *Inequitable Conduct: A Flawed Doctrine Worth Saving*, 11 WAKE FOREST J. BUS. & INTELL. PROP. L. 1, 7 (2010) (explaining that the defense of inequitable conduct can potentially mitigate questions of patent quality); *see also* Benjamin Brown, Comment, *Inequitable Conduct: A Standard in Motion*, 19 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 593, 616–17 (reviewing Congressional testimony favoring the retention of inequitable conduct).

483. *See* Gail L. Heriot, *A Study in the Choice of Form: Statutes of Limitations and the Doctrine of Laches*, 1992 B.Y.U. L. REV. 917, 918 (discussing potential differences in outcomes given the form of the legal precept as a rule or standard). Legal precepts can also vary between rules and standards. *See* James G. Wilson, *Surveying the Forms of Doctrine on the Bright Line-Balancing Test Continuum*, 27 ARIZ. ST. L.J. 773, 773 (1995) (describing various forms of legal commands, such as multi-factor and totality of the circumstances tests).

484. *See supra* Part III.A.

remedy "should be commensurate with the violation."[485] The standards found in traditional unclean-hands analysis, and not the *Therasense* rules, will better ensure that goal.[486] In an English equity opinion approved by Chief Justice Marshall, Lord Chancellor Eldon declared, "The Rule is clear enough: but the application in each particular case must depend on the discretion of the Judge."[487]

Furthermore, scholarship that analyzes equitable remedies attests to the impossibility of achieving absolute certainty.[488] Given the importance of particularized findings of facts and circumstances, attempts to quantify discretion for equitable remedies have been ineffective.[489] Patent remedies and remedial defenses fit this model of decision making.[490] Human diversity has been equity's lock and stock as well as its *raison de etre.* Guidance in application, rather than continual re-interpretation, is more appropriate for lower court instruction. A typical form of appellate direction is to provide for its invocation only with prudence,[491] reluctance,[492] or in the exceptional case.[493]

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485. Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1292 (Fed. Cir. 2011) (en banc) (citing Columbus Bd. of Educ. v. Penick, 443 U.S. 449, 465 (1979)).

486. *See generally* Thomas, *supra* note 302, at 799 (concluding that standards rather than rules would offer courts more flexibility to best achieve the goals of the patent system); *see also* MindGames, Inc. v. W. Publ'g Co., 218 F.3d 652, 656–57 (7th Cir. 2000) (explaining that the choice between rules and standards depends on the question asked).

487. Mortluck v. Buller, (1804) 32 Eng. Rep. 857, 862; *see* Cathcart v. Robinson, 30 U.S. (5 Pet) 264, 276 (1831) (citing *Mortluck* with approval in a discussion of clean hands as a condition of equitable relief).

488. *See, e.g.*, John Leubsdorf, *The Standard for Preliminary Injunctions*, 91 HARV. L. REV. 525, 525–26, 565–66 (1978) (explaining that authorities may apply the standard thoughtlessly and inconsistently, without an articulated rationale).

489. *See, e.g.*, Am. Hosp. Supply Corp. v. Hosp. Prods. Ltd., 780 F.2d 589, 593 (7th Cir. 1986) (Posner, J.) (adopting the paradigm for preliminary injunctions proffered in Leubsdorf, *supra* note 488, albeit quantifying the formula); *see also* Smith, *supra* note 160, at 38 (noting the impossibility of making the law absolutely certain in advance).

490. *See Therasense*, 649 F.3d at 1298–99 (O'Malley, J., concurring in part and dissenting in part) (rejecting the majority's but-for test for materiality because of "the Supreme Court's recognition that courts of equity 'exercise judgment in light of prior precedent, but with awareness of the fact that specific circumstances, often hard to predict in advance, could warrant special treatment in an appropriate case'" (quoting Holland v. Florida, 130 S. Ct. 2549, 2563 (2010))); *see also* Fischer, *supra* note 18, at 563–64 (discussing the different contexts for seeking injunctive relief in patent litigation and how one business model does not necessary provide insight into whether it will be granted).

491. *See, e.g.*, Milford Power Co. v. PDC Milford Power, LLC, 866 A.2d 738, 748 (Del. Ch. 2004).

492. *See, e.g.*, Farmer's Educ. & Coop. Union of Am. v. Farmers Educ. & Coop. Union of Am., 141 F. Supp. 820, 824 (S.D. Iowa 1956), *aff'd sub nom.* Stovers v. Farmers' Educ. & Coop. Union of Am., 250 F.2d 809 (8th Cir. 1958).

493. *See, e.g.*, Coca-Cola Co. v. Koke Co. of Am., 254 U.S. 143, 145 (1920) (finding that unclean hands is "scrutinized with a critical eye"). Certain jurisdictions have

In any event, restrictive elements will not necessarily eliminate problems with clarity and consistency.[494] The Federal Circuit's experience with inequitable conduct demonstrates that attempting to achieve certainty in an area inherently uncertain is counterproductive.[495] Courts cannot solve social problems with a scientific formula. Even if they could, there are corresponding values of fairness and justice that require attention.[496] The majority in *Therasense* understood that inequitable conduct "hinges on basic fairness" due to its equitable origins;[497] thus, there is always the risk of over-circumscribing discretion.[498] The harmful consequences extend beyond the parties in any given case to the law itself.[499] The resilience of equity, especially within patent law, allows for legitimate legal change.[500] The statutory law of patents, even as amended with additional requirements and duties since the Supreme Court's

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noted that the doctrine of unclean hands is not favored. *See, e.g.*, Schivarelli v. Chi. Transit Auth., 823 N.E.2d 158, 168 (Ill. App. Ct. 2005) ("The application of the unclean doctrine has not been favored by the [Illinois] courts."); Foursquare Tabernacle Church of God in Christ v. Dep't of Metro. Dev. of the Consol. City of Indianapolis, 630 N.E.2d 1381, 1385 (Ill. App. Ct. 1994) ("The doctrine is not favored by the courts and is applied with reluctance and scrutiny."); Butler v. Butler, 114 N.W.2d 595, 619 (Iowa 1962) (same).

494. *See* Camilla E. Watson, *Equitable Recoupment: Revisiting An Old and Inconsistent Remedy*, 65 FORDHAM L. REV. 691, 787–88 (1996) (analyzing doctrinal development in the defense of equitable recoupment in federal tax law and showing how a narrow construction can produce inconsistent results).

495. *See supra* Parts II–III.A; *see also* Thomas, *supra* note 302, at 797 (discussing the Federal Circuit's preference for rules and concluding that "given what history teaches about the workings of the Federal Circuit, serious doubt should remain over whether the benefits of predictability and certainty can practically be achieved").

496. *See, e.g.*, Edward Yorio, *A Defense of Equitable Defenses*, 51 OHIO ST. L.J. 1201, 1225–26 (1990) (noting flexibility and fairness benefits of equitable defenses); *see also* L.A. SHERIDAN & GEORGE W. KEETON, THE NATURE OF EQUITY 2 (3d ed. 1985) (discussing the opposing virtues of certainty and justice).

497. Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1292 (Fed. Cir. 2011) (en banc).

498. *See, e.g.*, KENNETH CULP DAVIS, DISCRETIONARY JUSTICE: A PRELIMINARY INQUIRY 107 (1969) ("Turning all discretion into law would destroy the individualizing element of equity and of discretion."); MEAGHER ET AL., *supra* note 111, at 451–54 (noting that one of the reasons jurists resist the fusing equity into the law is that they are fearful that modern equity will lose its inherent flexibility and capacity to adjust to new situations).

499. *See generally* P.S. Atiyah, *From Principles to Pragmatism: Changes in the Function of the Judicial Process and the Law*, 65 IOWA L. REV. 1249, 1251–59 (1980) (describing how English equity and the common law lost flexibility in the nineteenth century followed by a resurgence of discretion after the merger of law and equity in the twentieth century); John L. Garvey, *Some Aspects of the Merger of Law and Equity*, 10 CATH. U. L. REV. 59, 63 (1961) (criticizing the period when "equity became just as legal, just as strict, as the common-law itself").

500. *See* Goldman, *supra* note 23, at 97 (stating that the rubrics of inequitable conduct are sufficiently broad to allow growth and change over time); *see also* Anenson & Mayer, *supra* note 215, at 978–79 ("[I]t was the flexibility and discretionary nature of equity that allowed courts to incorporate ethical standards of business into the law in a way that reflected prevailing social norms.").

original equitable incursion, is not so perfect that it is no longer in need of equitable intervention.[501]

3. Structural concerns

Literature reviewing the American patent system attributes its success to the judicial balancing of remedial interests.[502] Courts were not a substitute, but a valuable and complementary part of patent law's development.[503]

Scholarship in the patent field has recently asserted that federal courts should continue their critical role. Professors Burk and Lemley, in their influential article and subsequent book, argue that more, not less, judicial discretion and judge-made doctrines are necessary to account for the pace of technological change.[504] They posit that the brevity of the patent statute equips courts with discretion via a series of doctrinal "policy levers."[505] The professors discuss a non-exhaustive list of existing doctrines used to tailor patent law to particular industries or technologies.[506] They show how courts have mapped theory to industry characteristics in a way that accounts for the differences in the economics of innovation in areas of patent acquisition and validity, patent scope, and patent remedies.[507] As such, the professors' thesis is that patent law already applies different legal regimes in different contexts, albeit implicitly, and perhaps imperfectly, and that courts, rather than the Patent Office or Congress, are best able to accommodate the rapid pace of

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501. *See* Dolak, *supra* note 482, at 12–25 (discussing the value of the inequitable-conduct doctrine); Steve Hedley, *Rival Taxonomies Within Obligations: Is There a Problem?*, *in* EQUITY IN COMMERCIAL LAW, *supra* note 160, at 77, (noting that, although flawed, the equitable method is still useful and indeed vital to the law).

502. Khan, *supra* note 219, at 484, 491, 495, 525–29; *see also* James Barr Ames, *Law & Morals*, 22 HARV. L. REV. 97, 108 (1908) (asserting that discretion in shaping equitable remedies made English and American law more perfect than other countries).

503. *See* Khan, *supra* note 219, at 484 (stating that the U.S. patent system was distinguished by the central role of the law and courts); *see also* CARDOZO, *supra* note 312, at 62 ("[T]he great inventions that embodied the power of steam and electricity, the railroad and the steamship, the telegraph and the telephone, have built up new customs and new law."); Khan, *supra* note 219, at 527 (discussing the legislative lag in addressing issues raised by technological change).

504. *See* BURK & LEMLEY, *supra* note 10, at 95; Dan L. Burk & Mark A. Lemley, *Policy Levers in Patent Law*, 89 VA. L. REV. 1575, 1638–41 (2003); *see also* BLAIR & COTTER, *supra* note 9, at 131 (commenting that the "precise way in which U.S. law operates leaves much to be desired, in that it is both overinclusive . . . and underinclusive").

505. *See* BURK & LEMLEY, *supra* note 10, at 109 (discussing policy levers and how they "tailor the unitary patent system to the more complex realities of the world").

506. *See id.* at 109–30 (providing brief descriptions for a dozen policy levers that courts use to differentiate patent law in different industries).

507. *See id.* at 92, 109–30 (examining how courts treat some industries differently, particularly the biotechnology and software fields).

technology.[508] Although Burk and Lemley did not address the doctrine of inequitable conduct,[509] their research and insights are instructive. The proposed paradigm enables the same kind of careful fine-tuning for a successfully functioning patent system that only the judiciary can provide.[510]

Patent scholars sorting out the role of remedies also agree that flexibility is key, provided there are guidelines. Patent remedies have emerged from obscurity to obtain celebrity status, or at least a "prominent supporting role in the legal system."[511] Identical to the function of remedies outside of patent law,[512] patent scholars espouse that remedies for intellectual property law violations should support the right.[513] As a result, given the patent community's adherence to an instrumental view of patent law,[514] patent remedies should preserve the incentive scheme embodied in the substantive law, and courts should attempt to replicate the balance that the substantive law strikes.[515]

Recognizing that it is not possible to craft a body of remedies law that would optimally achieve many of the conflicting goals of the patent system, Professor Golden outlines five principles of patent remedies that account for the inevitable uncertainty of the law and

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508. *See id.* at 99 (discussing the failure of industry-specific statutes because of the pace of technological change and citing GUIDO CALABRESI, A COMMON LAW FOR THE AGE OF STATUTES (1982), which identified statutory obolescense); *see also id.* at 5, 99, 106–07, 167–68.

509. *See id.* at 109 (acknowledging that policy levers are not the only source of judicial discretion and that the doctrine of inequitable conduct is "one of the largest judicially created doctrines in patent law").

510. *See generally* John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 189 (1998) (indicating that the patent prosecution process varies by industry).

511. Cotter, *supra* note 10, at 135 ("As patent remedies continue to emerge from obscurity to, if not center stage, at least a prominent supporting role in the legal system."); *see also* KNIGHT, *supra* note 472, at xv (asserting that intellectual property has taken "center stage around the world"); Golden, *supra* note 10, at 506–08 (explaining that patent remedies have gone from obscurity to prominence due in part to Supreme Court case law).

512. *See* RENDLEMAN, *supra* note 12, at 86 ("A plaintiff's remedy should advance the policies of the substantive law it is based on.").

513. *See, e.g.*, Cotter, *supra* note 10, at 131 (concluding that "the assumption that remedies should be ancillary to substance seems more defensible than any other alternative").

514. *See* BLAIR & COTTER, *supra* note 9, at 13–23; Cotter, *supra* note 10, at 126 ("Most patent scholars adhere to an instrumental view of patent law (patent law as a means to an end), and there is general consensus that the ends include invention, disclosure, and innovation (meaning generally the commercialization of an inventive principle, as distinct from invention itself).").

515. *See* Cotter, *supra* note 10, at 126, 130–31 ("[C]ourts should preserve (but not enhance) the incentive scheme embodied in the substantive law, even if the incentive scheme is flawed.").

the institutional constraints of the courts.[516] These metaprinciples do not provide an incontestable determinative answer, but operate as signposts by which the district court can better exercise its discretion.[517] They include nonabsolutism, antidiscrimination, learning, administrability, and devolution, ultimately corroborating a traditional inequitable-conduct construct.[518]

As Golden explains, "nonabsolutism" means that the court should be cautious about adopting rigid, per se rules.[519] "Antidiscrimination" is the idea that courts should not favor one business model over another.[520] "Learning" is the view that the law should induce the production of useful information.[521] "Administrability" is the thought that the law should facilitate appellate review.[522] "Devolution" is the notion that the law should leave the decision to those closest to the facts.[523]

Professor Cotter calls Golden's approach to patent remedies "practical reason" because it attempts rationality in the face of uncertainty.[524] Golden's practical-reason principles for patent remedies substantiate the traditional framework for the equitable defense of inequitable conduct. First, an adaptive equitable analysis for inequitable conduct enables nonabsolutism, rather than dogmatic and draconian rules. Second, the flexibility of the unclean-hands

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516. *See* Golden, *supra* note 10, at 513, 527, 563–64 (asserting that the purpose of the proposed analysis "is to provide a deliberative framework for reasoned decision making that is attentive to the public interest"); *see also* Cotter, *supra* note 10 (praising Professor Golden's framework and commenting that it has emerged as a source of light in the patent system debate).

517. Golden explains that "[a]lthough the metaprinciple [of utilitarianism] can provide a background value system that can inform ultimate judgments about how to resolve conflicts between the principles, it presumptively cannot provide a broadly incontestable, determinate answer." Golden, *supra* note 10, at 571. Professor Cotter found Golden's principles congenial to his own approach. *See, e.g.*, Cotter, *supra* note 10, at 126 (opining that while Golden lacked confidence, his recommended principles were likely to result in "a more rational, better functioning [patent] system").

518. *See* Golden, *supra* note 10, at 551–91 (offering three principles for the adaptive development of patent remedies—nonabsolutism, antidiscrimination, and learning—and two principles for implementation, administrability and devolution).

519. *See id.* at 553.

520. *See id.* at 555.

521. *See id.* at 561–63 (proposing that a regime of patent remedies should encourage parties to produce information that will improve the regime while also leaving important decisions and responsibilities to parties with better knowledge).

522. *See id.* at 563.

523. *See id.* at 564.

524. *See* Cotter, *supra* note 10, at 128 ("To put it concisely, to live in the hope of attaining some absolute truth derived from unshakable first principles is a fool's game; the rules we devise to resolve our disputes and to structure our lives are necessarily constrained by the limitations of our knowledge, the contingency and contestability of our goals, and the need to revise and rebuild in light of new experience.").

doctrine analysis and its consideration of all the circumstances, aids antidiscrimination among business models and industries. Third, it facilitates learning by harnessing the informational advantages of the patentee to produce relevant information to the Patent Office. Fourth, an unclean-hands doctrine analysis effectuates the administration of a remedy by safeguarding district-court decisions with an abuse-of-discretion standard. Fifth, and finally, the suggested framework eases devolution by ensuring district-court discretion to determine the facts and policies particular to each case. Indeed, without an understanding of their factual context and the conflicting policies at issue, the elements of the unclean-hands doctrine are merely empty labels.[525] In terms of implementation, the analysis does not legislate at the appellate level; rather, it grants the trial judge discretion to determine how those facts facilitate the purposes of the doctrine within the competing policies of the statute.[526]

Importantly, a critical part of the district court's discretion in determining the applicability of the unclean-hands doctrine is the authority to deny the defense and limit its application when appropriate. At the time of the Supreme Court's inequitable-conduct decisions, a well-known limitation of the unclean-hands doctrine was that courts would apply the doctrine only if it advanced, and did not defeat, the policies at issue in the case.[527] As a result, part of a district court's discretion involves accounting for all the circumstances, including any mitigating factors, before deciding that the unclean-hands doctrine precludes a plaintiff's remedy.[528] The discretion to deny application of the unclean-hands doctrine was evidenced in *Hazel-Atlas* when the Supreme Court justified dismissal after noting

525. *See* MEAGHER ET AL., *supra* note 111, at 451–54 (noting it is not possible to identify a unifying factor because the equitable doctrines are only to be understood in the terms that provoked them); Chafee I, *supra* note 11, at 878.

526. See *generally* Chafee I, *supra* note 11 (discussing the various problems with the clean hands doctrine's governance).

527. *See, e.g.*, Lyon v. Campbell, 33 F. App'x. 659, 665 (4th Cir. 2002) (per curiam) ("[E]ven if the district court might have been justified in applying the doctrine of unclean hands based on Lyon's false testimony, the court was not compelled to do so. Application of the doctrine of unclean hands is largely in the discretion of the district court . . . ."); *see also* Nakahara v. NS 1991 Am. Trust, 718 A.2d 518, 523 n.35 (Del. Ch. 1998) (citing cases refusing to apply the unclean-hands doctrine on public policy grounds); NEWMAN, *supra* note 30, at 241–42 (same).

528. *See, e.g.*, DOBBS, *supra* note 11, § 2.4(2), at 71–72 (cautioning that the application of unclean hands is subject to public-policy considerations); *see also* Byron v. Clay, 867 F.2d 1049, 1051 (7th Cir. 1989) (Posner, J.) ("The doctrine of unclean hands . . . gives recognition to the fact that equitable decrees may have effects on third parties—persons who are not parties to a lawsuit, including taxpayers and members of the law-abiding public—and so should not be entered without consideration of those effects."); YOUNG ET AL., *supra* note 181, at 183 (citing cases from Australia, New Zealand, Hong Kong, and England).

there were no intervening equities that should change the outcome.[529] More recent Supreme Court practice involving application of the unclean-hands doctrine in other federal legislation has accounted for the discretion to deny the defense.[530] In *McKennon v. Nashville Banner Publishing Co.*,[531] the Court explained that the defense may also be relaxed because it is founded on public policy.[532] Lower state and federal courts are in accord and refuse the defense if they find that the public interest outweighs its application or that it will otherwise work an inequitable result.[533]

The majority in *Therasense* did not deviate from this equitable approach.[534] Retaining the district court's discretion to deny the

529. *See* Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 246 (1944). Additionally suggestive are the Court's patent misuse cases that provided for discretion to limit the defense when the improper practice had been abandoned. *See* Poll, *supra* note 158, at 72–75 (discussing cases denying relief under the clean-hands doctrine once the improper practice had ceased and its consequences dissipated).

530. *See* Pinter v. Dahl, 486 U.S. 622, 638 (1988) (noting that the Supreme Court has similarly instructed the district courts to apply the unclean-hands doctrine's legal cousin—*in pari delicto*—only if barring recovery would not offend statutory policies).

531. 513 U.S. 352 (1995).

532. *See id.* at 360–61 (pointing out the discretion applied in judgments compelling employment, reinstatement, or promotion).

533. *See, e.g.*, Citizens Fin. Grp., Inc. v. Citizens Nat'l Bank of Evans City, 383 F.3d 110, 130 (3d Cir. 2004) ("We hold that the District Court's heavy reliance on the doctrine of unclean hands to justify its denial of injunctive relief improperly weighted that evidence to the exclusion of the merits of CNBEC's claim and the public interest, and constituted an abuse of discretion."); EEOC v. Recruit U.S.A., Inc., 939 F.2d 746, 753–55 (9th Cir. 1991) ("[T]he clean hands doctrine should not be strictly enforced when to do so would frustrate a substantial public interest."); Katiroll Co. v. Kati Roll and Platters, Inc., No. 10-3620 (GEB), 2011 WL 2294260, at *2 (D.N.J. June 8, 2011) ("[I]n a trademark infringement action, 'the court must show solicitude for the public in evaluating an unclean hands defense.'" (quoting *Citizens Fin. Grp.*, 383 F.3d at 129)); Fund of Funds, Ltd. v. First Am. Fund of Funds, Inc., 274 F. Supp. 517, 520 n.1 (S.D.N.Y. 1967) ("[T]he doctrine of unclean hands should not be applied since the central concern of the law of unfair competition is protection of the public from confusion in the securities market."). For state cases, see, for example, Health Maint. Network v. BlueCross of So. Cal., 249 Cal. Rptr. 220 (Ct. App. 1988); Burnette v. Void, 509 A.2d 606 (D.C. 1986). *See also* WOLFE & PITTENGER, *supra* note 420, § 11.07[a] (listing cases).

534. *See* Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1305 (Fed. Cir. 2011) (en banc) (Bryson, J., dissenting) (noting that the court has repeatedly held that the trial judge has discretion to decline to find inequitable conduct even if the elements of intent and materiality are satisfied). It is unclear whether the majority failed to remove the remaining equitable notion in inequitable conduct due to concern over the judicial power in refusing to enforce statutory rights or simply through oversight. *See* NLRB v. P*I*E Nationwide, Inc., 894 F.2d 887, 893 (7th Cir. 1990) (Posner, J.) ("[A] modern federal equity judge does not have the limitless discretion of a medieval Lord Chancellor to grant or withhold a remedy."); Zygmunt J.B. Plater, *Statutory Violations and Equitable Discretion*, 70 CALIF. L. REV. 524, 524 (1982) (suggesting that courts have less remedial discretion in statutory versus common law or constitutional causes of action).

defense on policy grounds should provide an important safety valve to constrain the doctrine's application.[535]

4. Additional constraints

The defense is restricted even further through its use in equity actions. Specifically, while the doctrine of unclean hands applies to all equitable relief, it traditionally is limited to only equitable relief, as opposed to legal relief in the form of damages.[536] The heightened pleading requirement imposed by the Federal Circuit, as well as the new safe-harbor provisions for the submission of supplemental information and the possibility of waiver pursuant to the post-grant proceedings under the new patent legislation, should serve as additional checks on any unwarranted expansion.[537]

Finally, while there will always be some danger of inequitable conduct being applied too broadly in certain cases, the Supreme Court seems willing to take the risk.[538] At the turn of the twentieth

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535. *See* Lee Petherbridge et al., *The Federal Circuit and Inequitable Conduct: An Empirical Assessment*, 84 S. CAL. L. REV. 1293, 1302 (2011) (noting there is "no substantive jurisprudence around the balancing component").

536. *See* Anenson, *Limiting Legal Remedies*, *supra* note 13, at 74–115 (detailing cases evidencing the extension of unclean hands to legal remedies); O'Connor, *supra* note 27, at 331 (asserting that inequitable conduct should be limited to equitable remedies).

537. *See* Exergen Corp. v. Wal-Mart Stores, Inc., 575 F.3d 1312, 1328–29 (Fed. Cir. 2009) (holding that FED. R. CIV. P. 9(b)'s particularity requirement applies to a pleading of inequitable conduct, so that "the pleading must identify the specific who, what, when, where, and how of the material misrepresentation or omission comitted" before the Patent Office, and "must include sufficient allegations of underlying facts from which a court may reasonably infer that a specific individual" had knowledge and intent to deceive the Patent Office); *see also* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C.). Section 12 of the Leahy-Smith America Invents Act (AIA) may have an impact on the inequitable-conduct defense. *See* 124 Stat. at 325. Codified at 35 U.S.C. § 257(a) (Supp. V 2012), it gives patent owners the option to request supplemental examination of a patent to consider, reconsider, or correct information believed to be relevant to a patent following its issuance. Because such information would be unavailable as a basis for rendering the patent unenforceable if the patentee's request for supplemental review is made before the inequitable-conduct defense is raised, section 12 provides patent owners an additional avenue to satisfy their duty of disclosure after a patent has issued. *See* Jason Rantanen, et al., *America Invents, More or Less?*, 160 U. PA. L. REV. PENNUMBRA 229, 244 (2012) (discussing section 12 as creating "a patent amnesty program").

There are also new post-grant proceedings where the claims are waived if not pled. *See* David H. Herrington, et al., *Congress Makes Substantial Changes to Patent Law with the America Invents Act*, INTELL. PROP. & TECH. L.J., Dec. 2011, at 3, 3–7 (explaining that even the AIA's change to the first-to-file system for determining patent priority may curtail inequitable conduct by eliminating a factual scenario providing the basis for the defense); *see also* David S. Abrams & R. Polk Wagner, *Poisoning the Next Apple? The America Invents Act and Individual Inventors*, 65 STAN. L. REV. 517, 517 (2013) (purporting that although the AIA is "the most significant patent law reform in two generations, [it] may have a dark side").

538. *See* Goldman, *supra* note 23, at 51 (concluding the policy balance had shifted

century, the Supreme Court invoked the doctrine of unclean hands in an intellectual property case, explaining that the doctrine was "the doctrine of the highest court of England, and [that] no court ha[d] laid it down with any greater stringency than the Supreme Court of the United States."[539] Federal courts well understood the rich equitable tradition of the unclean-hands doctrine at the time of the early inequitable-conduct decisions. The Court of Appeals for the Sixth Circuit in *Keystone* announced that "the [unclean-hands] maxim is of so ancient an origin that extended analysis of its scope and effect would seem unnecessary."[540]

Since its inequitable-conduct decisions in patent law, the Supreme Court's dealings with the doctrine of unclean hands have remained true to the doctrine's remedial and discretionary character. Four justices in a concurring opinion in *eBay* acknowledged that "equitable discretion . . . is well suited to allow courts to adapt to rapid technological and legal developments in the patent system."[541] Equity is considered one of the most important contributions to English legal thought because its discretionary nature enhances analytic power by providing additional normative dimensions to improve the law.[542] Facilitating social and economic progress was, and still is,

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from the late 1800's when the Supreme Court was protecting the patentee from vexatious lawsuits to protecting the public from the anticompetitive effect of a patent monopoly). The Supreme Court in *Blonder-Tongue* explained that "[a]lthough recognizing the patent system's desirable stimulus to invention, we have also viewed the patent as a monopoly which, although sanctioned by law, has the economic consequences attending other monopolies." 402 U.S. 313, 343 (1971). The Court noted the competitive disadvantage of the alleged infringer given that the patentee is favored with a presumption of validity and "'the expense of defending a patent suit is often staggering to the small businessman.'" *Id.* at 334–35 (quoting Picard v. United Aircraft Corp., 128 F.2d 632, 641 (2d Cir. 1942) (Frank, J., concurring)).

539. Worden v. Cal. Fig Syrup Co., 187 U.S. 516, 535 (1903). Since the Supreme Court adopted the unclean-hands doctrine in 1795, it has addressed the defense in every decade but one. There are roughly one hundred Supreme Court cases concerning unclean hands. Moreover, *Precision* and *Hazel-Atlas* have been given precedential value by the Supreme Court in subsequent unclean-hands cases. *See, e.g.*, S&E Contractors, Inc. v. United States, 406 U.S. 1, 15 (1972). State courts likewise rely on these early patent decisions in understanding and expanding unclean hands and related doctrines. *See* Anenson, *Beyond Chafee*, *supra* note 14, at 530–32 (noting that *Hazel-Atlas* has been the basis for the development of the fraud on the court doctrine and that *Precision* has been used in extending the defense to legal remedies).

540. Gen. Excavator Co.v. Keystone Driller Co., 62 F.2d 48, 50 (6th Cir. 1932), *aff'd*, 290 U.S. 240 (1933).

541. eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 397 (2006) (Kennedy, Stevens, Souter & Breyer JJ., concurring).

542. *See* Pound, *supra* note 406, at 350 (concluding that "the rise of the court of chancery preserved [our legal system] from medieval dry rot"); *see also* NEWMAN, *supra* note 30, at 255 ("The evolution of law is to a large extent the history of its absorption of equity."); Burbank, *supra* note 424, at 1296 (commenting that our legal culture is "accustomed to claims for the 'triumph of equity' and to thinking about

critical to the development of intellectual property law in the United States.[543]

In conclusion, this Article has attempted to explain and justify the role of equity within the environment of patent law and the defense of inequitable conduct, whose precepts derive from a mixture of legislation, judicial doctrine, and administrative regulations. The traditional paradigm may not alleviate all the ills associated with inequitable conduct.[544] Nevertheless, the doctrine is an equitable remedy and should be understood as such. Holmes' famous quip that "a page of history is worth a volume of logic"[545] has been repeatedly reaffirmed in Supreme Court equity opinions, including a concurring opinion addressing patent remedies in *eBay*.[546] Consequently, while tradition is not the only principle of interpretation,[547] the foregoing analysis has attempted to establish that it is still relevant to inequitable conduct.[548]

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equity as an engine of legal development"); Sidney Post Simpson, *Fifty Years of American Equity*, 50 HARV. L. REV. 171, 179–81 (1936) (predicting that the future of equity is certain because it is a flexible tradition for allowing growth in the law).

543. *See generally* Grupo Mexicano de Desarrollo, S.A. v. Alliance Bond Fund, Inc., 527 U.S. 308, 337 (1999) (Ginsburg, J., dissenting) ("A dynamic equity jurisprudence is of special importance in the commercial law context."); Union Pac. Ry. v. Chi., Rock Island & Pac. Ry., 163 U.S. 564, 600–01 (1896) ("It must not be forgotten that in the increasing complexities of modern business relations equitable remedies have necessarily and steadily been expanded, and no inflexible rule has been permitted to circumscribe them."); BLAIR & COTTER, *supra* note 9.

544. Even if inequitable conduct, the so-called "patent-killing virus," can be cured by resort to its history or otherwise, healing it will not treat the other ills of patent law that affect patent quality and remain obstacles to an effectively-functioning patent system. Narrowing the defense that has expanded as the main medication to restore patent health will highlight the insufficiency of Patent Office resources and capabilities. In this sense, relying on inequitable conduct for the complete fulfillment of statutory (and constitutional) purposes is asking too much of the defense and, for that matter, the judiciary. Alleviating the infection of inequitable conduct will relocate the disease it was attempting to address and return it to Congress, where it was created. Congress has made an attempt to improve the quality of the exam process in the AIA with supplemental examination procedures and post grant review proceedings. *See* Robert C. Bird, *The America Invents Act, Patent Priority, and Supplemental Examination*, *in* THE CHANGING FACE OF U.S. PATENT LAW AND ITS IMPACT ON BUSINESS STRATEGY 63, 66–68 (Daniel R. Cahoy & Lynda J. Oswald eds., 2013).

545. N.Y. Trust Co. v. Eisner, 256 U.S. 345, 349 (1921) (Holmes, J.).

546. *eBay*, 547 U.S. at 395 (Roberts, C.J., Scalia & Ginsburg, JJ., concurring) (quoting *Eisner*, 256 U.S. at 349).

547. *See* CARDOZO, *supra* note 312, at 26 (commenting that there is "not a received tradition which does not threaten to dissolve"). Similarly, Holmes said:

> History must be part of the study, because without it we cannot know the precise scope of rules which it is our business to know. It is a part of the rational study, because it is the first step toward an enlightened scepticism, that is, toward a deliberate reconsideration of the worth of those rules.

Holmes, *supra* note 1, at 469.

548. In assessing the continued value of ancient equity in modern law, Professor Lionel Smith explains that resort to history recognizes the limits of our wisdom and

For better or for worse, the choice between continuity and change has largely remained in the judicial method.[549] Neither the Patent Act of 1952, nor the newly enacted Leahy-Smith America Invents Act of 2011, has altered the status quo.[550] As in many other areas of law, what courts once regulated solely by precedent is now bounded by legislation.[551] It is within this framework that the federal courts must undertake the difficult task of creating the contours of inequitable conduct and ascertaining its applicability to patent remedies.

The Federal Circuit's exclusion of the history of equity has not yielded a coherent and acceptable rule of inequitable conduct. To date, "the Federal Circuit has drawn criticism for straying too far from generally accepted legal principles and mainstream American jurisprudence."[552] Its recent decision in *Therasense* demonstrates that the defense of inequitable conduct is, unfortunately, no exception.

After the procedural merger in the early twentieth century, Roscoe Pound, a distinguished American educator and one of the most cited legal scholars of the twentieth century, feared the loss of equity in American jurisprudence.[553] The majority opinion in *Therasense* illustrates that what has actually happened is, perhaps, even worse. Equity is not lost, for it continues in a steady stream of precedents, but it has ceased being understood.[554] It is no wonder the Federal Circuit avoided any attempt to recast inequitable conduct and unclean hands, or that patent scholars are only now working to

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the modesty of our perspective. *See* Smith, *supra* note 160, at 20 (discussing history and the value of ancient equity in modern law); *see also* J.D. Heydon, *Limits to the Powers of Ultimate Appellate Courts*, 93 L.Q.R. 399, 404 (2006) ("It is even possible that we are not wiser than our ancestors." (citation omitted) (internal quotation marks omitted)).

549. Mason, *supra* note 423, at 41 ("Over the centuries, judges at common law and in equity moulded principles whereby the two 'systems' acted in aid of each other where appropriate, recognised and applied each other's rules when necessary to do so, and borrowed ideas from time to time." (footnote omitted)).

550. *See generally* CALABRESI, *supra* note 508, at 1. ("[W]e have gone from a legal system dominated by common law, divined by courts, to one in which statutes, enacted by legislatures have become the primary source of law.").

551. *See id.*; *see also* Watson, *supra* note 494, at 697 (discussing equitable recoupment as a remedial defense in federal tax law which has "no statutory underpinnings").

552. Hoffman & Kinder, *supra* note 22, at 228.

553. *See* Roscoe Pound, *The Decadence of Equity*, 5 COLUM. L. REV. 20, 35 (1905).

554. *See* Anenson, *Limiting Legal Remedies*, *supra* note 13, at 110 (noting courts' confusion and describing the unclean-hands doctrine as "the most powerful," but also as the "least containable defense that came from ancient courts of equity"). In attempting to answer questions of equity, members of the Supreme Court have disagreed over the existence or relevancy of a particular custom, been mistaken as to what it is or means, and divided when traditional principles purportedly deviate from practice. *See* RENDLEMAN, *supra* note 12, at 599–600; *see also* Burbank, *supra* note 424, at 28; John Langbein, *What ERISA Means by "Equitable,"* 103 COLUM. L. REV. 1317, 1343 (2003).

correct the lack of a philosophical basis for patent remedies.[555] Holmes advised that we must understand the past to better govern the present and enable social progress.[556] Doug Rendleman, a noted remedies expert, holds a similar opinion. In his most recent text involving American equity law, he reminds courts that "if you want to know where you are, it helps to know where you have been."[557]

By anchoring inequitable conduct to equity as acknowledged in the decisions of the Supreme Court, this Article aims to provide lasting reform through the idea of unclean hands. The foregoing analysis provides a definitive methodology for federal courts to use in analyzing inequitable conduct and returns discretion to district courts to decide the defense within the ambit of the facts and the guiding principles of equity.

CONCLUSION

There are critical challenges facing patent rights and remedies. The defense of inequitable conduct in the patent process is a prominent and controversial concern. It is one of the largest judicially-created doctrines in patent jurisprudence and has been the subject of intense interest in the patent community.

The ruling by the United States Supreme Court in *eBay* instructs that patent law is not an island, but is part of the broader law of equity and its remedies. Initially heeding that instruction, the Federal Circuit in *Therasense* unanimously decided to rehear en banc the issue of inequitable conduct in light of its origins in equity and unclean hands. Regrettably, the majority decision then renounced the doctrine's heritage and reinvented the defense purely on policy grounds. Although the majority still called cheating in obtaining a patent monopoly inequitable conduct, there is little equity left.

The *Therasense* majority rewrote the rules of ancient equity without resort to history or a guiding legal theory. By revisiting the equitable doctrine of unclean hands, this Article provides critical guidance in the future adjudication of inequitable conduct. It evaluates what the

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555. *See* discussion *supra* Introduction (showing that remedies are largely derived from equity).

556. *See* OLIVER WENDELL HOLMES, COLLECTED LEGAL PAPERS 187 (1921) (criticizing that "the rule simply persists from blind imitation of the past").

557. RENDLEMAN, *supra* note 12, at 96 (discussing the importance of a historical perspective in analyzing equitable principles). Rendleman is the Robert E.R. Huntley Professor of Law at the Washington and Lee University School of Law. Justice Joseph Story, one of the giants of the formative period of American equity jurisprudence and an expert in patent law, put it more simply. He advised that "[h]istory has been said to be the philosophy of teaching by examples." 1 STORY, *supra* note 162, § 55, at 52.

defense could and should mean within the context of the principles of equity and the policies of patent remedies. In doing so, it shows how patent law may meaningfully join equity in substance and procedure, in a way that is also consonant with the interests of the legislature.

The suggestions build upon theoretical developments in patent rights and remedies. Contrary to the majority opinion in *Therasense*, the recommendations are also consistent with Supreme Court precedent. In fact, the analysis unites a series of Supreme Court decisions on unclean hands, remedies, and patent law. Examining inequitable conduct from the perspective of equity jurisprudence as a whole exposes trends and themes a narrower lens might have omitted and traces critical lines that have been ignored. While the literature on inequitable conduct has been extensive, no one has examined inequitable conduct from its equitable tradition. Therefore, this Article fills an essential gap in the scholarship on an issue of systemic importance.

In reference to Holmes' aphorism, the Federal Circuit decision in *Therasense* killed the patent dragon. This Article attempts to tame it and make the inequitable-conduct defense a useful animal.

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